

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF HAMPTON, VIRGINIA**

For the Fiscal Year Ended June 30, 2004

Prepared by:

Karl S. Daughtrey, Director of Finance

Rowena S. Gyorke, Controller

**CITY OF HAMPTON, VIRGINIA
ANNUAL FINANCIAL REPORT**

June 30, 2004

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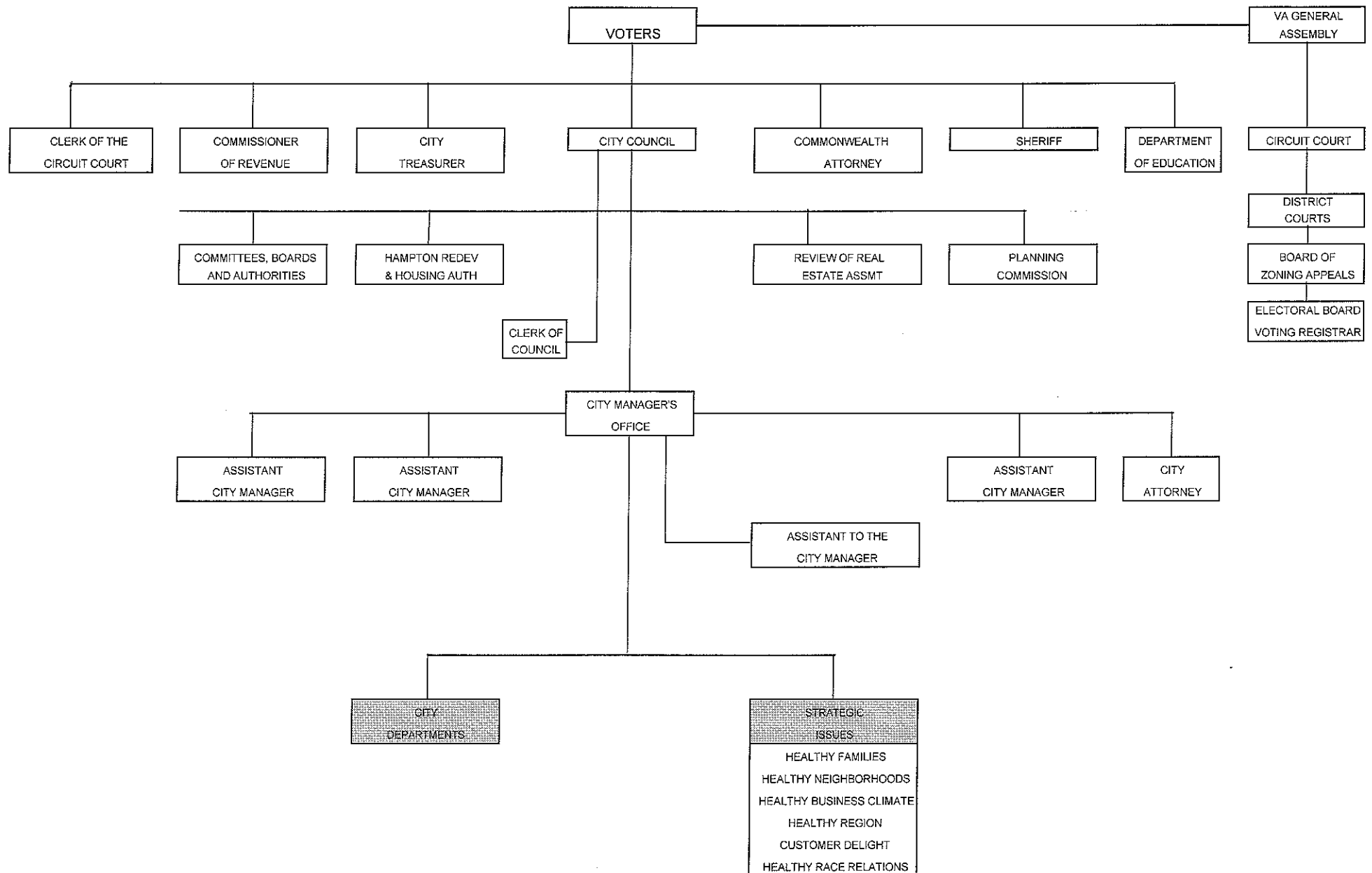
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CITY OF HAMPTON, VIRGINIA



CITY OF HAMPTON, VIRGINIA
June 30, 2004

ELECTED OFFICIALS

CITY COUNCIL

Charles A. Wornom, Mayor
Paige V. Washington, Jr., Vice Mayor
Randall A. Gilliland
Ross A. Kearney, II
Joseph H. Spencer, II
Turner M. Spencer
Rhet Tignor

CONSTITUTIONAL OFFICERS

Linda B. Smith - Clerk of Courts
Linda D. Curtis - Commonwealth Attorney
Ross A. Mugler - Commissioner of Revenue
Molly Joseph Ward - City Treasurer
Billy Joe "B.J." Roberts - City Sheriff

APPOINTED OFFICIALS

CITY ADMINISTRATION

George E. Wallace - City Manager
Mary Bunting – Assistant City Manager
James A. Peterson – Assistant City Manager
Karl S. Daughtrey, CPA - Director of Finance
Christine Snead - Director of Budget
Rowena S. Gyorke, CPA - City Controller

SCHOOL BOARD

Lennie F. Routten, Chairman

Henry J. Godfrey, Vice Chairman
Fred A. Brewer, Jr.
Stephen W. Hancock

Linwood C. Harper
Ruthann N. Kellum
Dr. Samuel E. Massenberg

SCHOOL ADMINISTRATION

Kathleen P. Brown, Interim Superintendent
Dr. Patricia Johnson, Assistant Superintendent for Elementary Instruction and Support Services
Dr. Linda Shifflette, Assistant Superintendent for Secondary Instruction and Support Services
Carolyn Bowers, Clerk of Board
Joe B. Lewis, Jr., Interim Director of Business and Finance

HAMPTON EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES

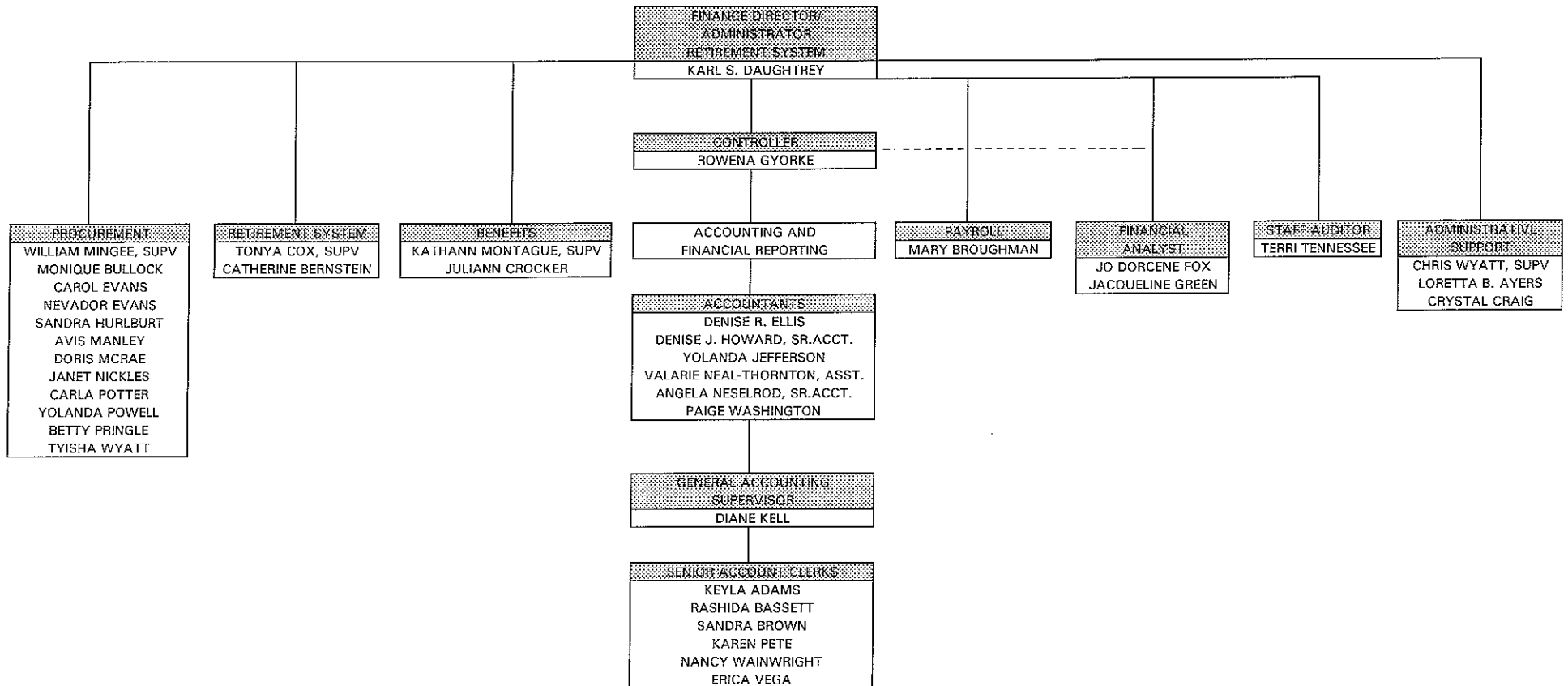
A. G. Womble, Jr., Chairman

A. Paul Burton, Legal Counsel
James A. Peterson
Pamela M. Wise
Joe B. Lewis, Jr.

Donald L. Hundley
William F. Trimble, Jr.
Kevin L. Hankins, Vice-Chairman
Frank A. Kearney, III

Karl S. Daughtrey, Administrator and Treasurer
Tonya E. Cox, Secretary

CITY OF HAMPTON, VIRGINIA
FINANCE DEPARTMENT
FISCAL YEAR ENDING JUNE 30, 2004



LETTER OF TRANSMITTAL





City of Hampton

November 30, 2004

Honorable Mayor, Members of the
City Council, and City Manager
Hampton, Virginia

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Hampton for the fiscal year ended June 30, 2004. This report has been prepared by the Department of Finance in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia.

The accuracy, completeness and fairness of the information presented in this report is primarily the responsibility of City Management. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. This letter of transmittal should be read in conjunction with management's discussion and analysis on pages 32 – 45.

The report is organized in four (4) major sections:

- 1) Introduction - This section acquaints the report reader with the City in general and summarizes financial activity for the fiscal year.

- 2) Financial - This section contains the Independent Auditor's Report on the City's financial statements, Management's Discussion and Analysis, the basic financial statements and related notes thereto, the Combining and Individual Funds Financial Statements and Supplementary Schedules.
- 3) Statistical - This section contains sixteen (16) tables of financial data, selected economic trend data and other demographics of the City.
- 4) Financial Compliance Report - This section contains the financial compliance reports on Federal Awards.

GENERAL INFORMATION:

Background

The City of Hampton, Virginia, settled in 1610, is the oldest English-speaking community in continuous existence in the United States. The City was incorporated on March 30, 1908 and has operated under its existing charter since December 16, 1952. Its boundaries were extended on July 1, 1952 through the annexation of Elizabeth City County and Phoebus. The City is comprised of 72 square miles, including 54.7 square miles of land and 17.3 square miles of water. Hampton is situated at the extreme southeastern tip of the lower Peninsula of Virginia. It is bounded on the west by the City of Newport News, on the north by York County and the City of Poquoson, on the east by the Chesapeake Bay and on the south by the Harbors of Hampton Roads.

The 2000 U.S. Census reported a population of 146,437; however, estimates indicate a decline in population of 1.4% or 2,037 persons. Downsizing within the military community on the Peninsula is a contributing factor to this decline. Hampton is part of the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA).

Hampton is an independent, full-service City with sole local government taxing authority within its boundaries. The governing body of the City is an elected City Council composed of a mayor and six (6) council members. The Mayor and City Council members are elected for four (4) year terms in general elections held every two (2) years. The City Council appoints the City Manager who acts as the Chief Executive Officer of the government. The City Manager serves at the pleasure of the Council and is charged with the responsibility of carrying out their policies, directing business procedures, and appointing and removing all department heads and city employees.

As a full-service City, Hampton provides a broad range of municipal services to its citizens. Those services include public safety, education, public works, refuse-collection, recreation, building inspection, public health, social services, planning and community development, etc.

Economic Conditions

The City's central location in the Norfolk-Virginia Beach-Newport News, Metropolitan Statistical Area ("MSA") affords its businesses the ability to take advantage of resources offered throughout the area. Hampton's many business advantages have attracted a long list of prosperous and well-known national and international companies. Manufacturing, retail, services, distribution and federal installations comprise the major components of economic activity within the City. Additionally, the telecommunications industry has installed an infrastructure of fiber optic cable and digital switching that has kept pace with new technology and has enhanced Hampton's competitiveness in attracting certain industries.

Economic Development

The Power Plant of Hampton Roads, a lifestyle retail-entertainment and big-box retail project, is under development by The Cordish Company. The Power Plant is currently housing the Lowe's Home Improvement Store, Cici's Pizza Restaurant, Bass Pro Outdoor World retail store and restaurant, SONIC Drive-in Restaurant and is soon to be the home of Five, Johnny Carino's Country Italian, Lone Star Steakhouse and Saloon and Joe's Crab Shack. Once completed, the Power Plant will constitute an investment of up to \$110 million and generate over \$7 million in total new annual direct tax revenue to the City.

Bass Pro Outdoor World is an interactive retail store that consists of a 110,000 square foot store and a 10,000 square foot restaurant. Bass Pro stores feature golf, fly-casting, rock climbing and a shooting arcade. These stores are typically adorned with waterfalls, huge aquariums and true to life wildlife exhibits. Bass Pro will generate over \$3 million in tax revenue and over 230 jobs.

Crossroads is a multi-use development project that is aimed at enhancing the City's citizens' quality of life and future tax base. Crossroads is located on approximately 120 acres of publicly owned land surrounding the Hampton Coliseum. Crossroads includes a 325,000 square foot convention center, 3,500 parking spaces, a 300-room Embassy Suites convention headquarters hotel, 250,000 square feet of private development and an adjacent public park.

In April 2003, Portfolio Recovery Associates held a ribbon cutting ceremony at a new 21,000 square foot office facility at netcenter. Portfolio Recovery Associates is a leading debt collection management company that employs entry level to experienced collection representatives, including management positions. The company plans to invest \$2 million and create 250 jobs over a three-year period.

West Corporation plans to hire approximately 300 additional Customer Service Representatives at their state-of-the-art contact center due to increased business demands. West Corporation, a leading provider of outsourced communication solutions, began operations in Hampton in 1996.

Craig Davis Properties is a Raleigh, North Carolina developer that plans to build six to eight buildings for use by light manufacturing and distribution companies in Hampton Roads Center North located near NASA/Langley Research Center. This project is expected to add 900,000 square feet of space, \$36 million in capital investments and house 1,350 new jobs. The National Institute of Aerospace (NIA), an aerospace and atmospheric sciences research and graduate education facility, approved plans to locate itself in a 60,000 square foot facility in Hampton Roads Center North in January 2003. NIA plans to employ 300-400 scientists and engineers.

The Hawkins Company has completed three of five office buildings in the Hampton Roads Center Business Park, two of which are occupied by Nextel Communications. Hawkins estimates that once the five new office buildings are completed, the complex will constitute a capital investment of \$25 million bringing 1,600 additional jobs to the city.

Sentara Hampton General Hospital opened a new state of the art facility, consisting of 330,000 square feet in central Hampton in December 2002. \$72 million was invested in the new facility, which will serve as a catalyst to attract additional physicians to Hampton and give an economic boost to the area. The facility, which also houses medical offices, received the 2003 Best Institutional Public Building Award of Merit from the Hampton Roads Association of Commercial Real Estate (HRACRE).

TeleTech expanded and created 760 new jobs in Hampton due to increased demand. TeleTech, located in the Hampton Roads Center Business Park – Central Campus, is a leading provider of customer management solutions.

Metro Productions centralized its company's operations and relocated the company headquarters to Downtown Hampton. Metro Productions, a full service video, film, and multi-media production company, plans to employ 25-30 people. The company will invest approximately \$200,000 to renovate the three-story 16,000 square foot building that it purchased.

AT systems, third largest armored car company in the United States, will locate itself in Copeland Industrial Park at the corner of Aluminum and E Streets. The total investment in real estate is anticipated to be \$1.2 million for a 12,000 sq. ft. facility. About 25 new jobs are anticipated.

The Virginia Air and Space Center's New Adventures in Flight gallery increased admissions by 25%. The \$6.4 million, 1 million cu. ft. interactive gallery features the Wright Brothers' exhibits along with highlights of Hampton and the surrounding region's significant role in commercial, general and military aviation.

Military and Federal Research Facility

Langley Air Force Base is the headquarters for the Air Combat Command and home to the First Fighter Wing. The base contracts for more than \$150 million annually for services and employs more than 12,800 people with an annual payroll that exceeds \$350 million.

Fort Monroe serves as the United States Army's Training and Doctrine Command and as the Army's Reserve Officers Training Corps (ROTC) Cadet Command School. Fort Monroe employs over 2,500 people resulting in an annual payroll exceeding \$100 million. The local economic impacts include approximately \$80 million in contracts, \$3 million in supplies and equipment purchases and another \$5 million in travel and transportation.

The National Aeronautics and Space Administration's NASA/Langley Research Center is located in Hampton adjacent to Langley Air Force Base. The Center is an important national resource serving inherent governmental functions such as safety, national defense, environmental study and the air transportation system. The Center has 2,272 full-time employees and had a total local impact of \$212 million to the economy according to their Economic Impact Summary for Fiscal-Year 2003. NASA, Langley Full Scale Tunnel, Peninsula Alliance for Economic Development and Hampton recently formed the Hampton Motor Sports Technology Alliance in order to take advantage of the synergy between aerospace and high performance motor vehicles.

Major Initiatives and Accomplishments

Area Plans

The City has contracted with Urban Design Associates (UDA) to assist in Master Planning six strategic areas of the city including: Downtown; Coliseum Central; Buckroe; Kecoughtan; King Street and Phoebus.

Being an almost fully developed community, Hampton recognizes that it must look for ways to improve existing neighborhood areas and capitalize on many of the City's existing assets. UDA has completed plans for Downtown and Coliseum Central.

The vision for Downtown Hampton includes attracting more people to live, work and shop there. Many benefits are projected to arise from downtown development including higher residential and retail property taxes, a more vibrant downtown environment and better access to the waterfront for both visitors and residents. This Master Plan has been approved by City Council.

Adding unique housing units is one of the major elements of the plan. Housing market analyses identified a demand for almost 900 new housing units in the downtown Hampton core, with about 600 units built on what is presently city-owned land. These homes could include upscale condominiums, multi-plex units, and high-end dwellings located atop unique retail establishments.

The City has received strong interest from private developers seeking to add residential housing units downtown. The City is currently in negotiation with a developer that will develop 150 new high-end housing units.

The vision for Coliseum Central is a conversion from a currently suburban/strip-mall type environment to a more urban area. This concept will provide a more dense land use with a more diverse mixture of use in the district. The plan also makes the district more pedestrian friendly and will include significant housing development. The Coliseum Central Master Plan has been approved by City Council.

Market studies show that there is a market for over 2,500 additional housing units in the Coliseum Central District. Hampton is currently negotiating with a developer to develop over 500 new high-end housing units as part of the Crossroads project, a multi-use development aimed at enhancing Hampton's future tax base and quality of life enjoyed by the City's citizens. Crossroads is located on approximately 120 acres of publicly-owned land surrounding the Hampton Coliseum. The centerpiece of the project is the convention center.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Distinguished Budget Presentation Award to the City of Hampton. The award reflects the commitment of the governing body and staff to meet the highest principles of governmental budgeting.

The City of Hampton won the gold award in the category of "Local Government" in the 2003 Governor's Technology Awards presented at the Commonwealth of Virginia Information Technology Symposium (COVITS). Hampton was recognized for its 311 Call Center.

Entrepreneur.com ranked Hampton and the surrounding region as one of the top 10 best U.S. cities for entrepreneurs. The Hampton Roads area was ranked as the 4th top destination in the south and the 7th nationwide; a rise from last year's 11th place overall ranking.

The Department of Economic Development won two awards in the 2003 Southern Economic Development Council (SEDC) Literature and Promotion Awards. Hampton's 16-page promotional brochure received a rating of Excellent and the Hampton Motorsports Technology Alliance DVD received a rating of Merit in the categories of general purpose brochure and computer multimedia, respectively.

SUMMARY FINANCIAL INFORMATION:

Accounting System and Budgetary Control

The accounts of the City are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise each fund's assets, liabilities, fund balance, revenues and expenditures or expenses.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Budgetary control is maintained at the line item level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of line items are not issued until additional appropriations or transfers are made available. Open encumbrances are reported as reservations of fund balance at June 30, 2004.

The annual appropriation ordinance sets the authorized expenditure level for each department. Department heads, budget officer and finance department constantly monitor the budget during the course of the fiscal year. The City Manager is authorized to transfer budgeted amounts within the General Fund; however, revisions that alter the total appropriations for a department must be approved by City Council. Transfers within the School Operating Fund are under the control of the School Board.

The Reporting Entity and Its Services

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, in that the financial statements include all the organizations, activities, functions and component units for which the City (the Primary Government) is financially accountable, which provide services almost entirely for the benefit of the City's constituents or are significant to the City. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City. On this basis, the reporting entity of the City includes the following services as authorized by its charter: public works, public safety, human services, development, health, recreation and parks, and public education. In addition, the City owns and operates the Hampton Coliseum and two (2) public golf courses. Under GASB Statement No. 39, four additional component units for which the City is not financially accountable are also included because they provide services almost entirely for the benefit of the City's citizens or are significant to the City.

Accordingly, the following funds and entities are included in the City's Annual Report:

Primary Government
Fund Types

General
Special Revenue
Debt Service
Capital Projects
Permanent
Enterprise
Internal Service
Fiduciary Funds

Blended Component Units

Hampton Redevelopment and Housing Authority

Discretely Presented Component Units

Hampton City School Board
Industrial Development Authority of the
City of Hampton, Virginia
Coliseum Central Business Improvement District, Inc.
Downtown Hampton Development Partnership, Inc.
Healthy Families Partnership, Inc.
Foundation of the Virginia Air and Space Center and Hampton Roads History Center

Hampton Redevelopment and Housing Authority (HRHA)

HRHA is a legally separate public corporation, which was established under the laws of the Commonwealth of Virginia to manage, operate, and provide low rent public housing within the City. HRHA's board is the Hampton City Council. Surpluses and deficits are the responsibility of HRHA. Budgetary approval, the signing of contracts, hiring of key personnel and control over facilities is all performed by HRHA. HRHA is included in the financial statements as a blended component unit.

Hampton City School Board

Virginia state statutes put Virginia schools under the dual control of the State Education Board and an elected local school board. The State Education Board provides operational procedures, standards of education and state school aid formulas for partial funding. The locality must provide all capital improvement funds and any additional operating funds required, but not provided by the State Education Board. The City Council's authority is limited to appropriating funds by state established categories. Local school boards do not have taxing or bond issuance authority. The School Board is a legally separate public corporation. Financial information of the School Board is included in this report as a discretely presented component unit.

Industrial Development Authority of the City of Hampton, Virginia (IDA)

The IDA is a legally separate corporation established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, as amended, together with the ordinances adopted by the Council of the City of Hampton.

The IDA has the responsibility of promoting industry and developing trade by inducing manufacturing, industrial and commercial enterprises to locate or to remain in the City. The oversight responsibility for the Authority's operations, including appointment of the governing board, appropriation of operating funds and budgetary control over revenues derived from sale of property, rests with the City Council. The IDA is included as part of the financial statements of the City of Hampton as a discretely presented component unit.

Healthy Families Partnership, Inc.

The Healthy Families Partnership, Inc. (HFP) is a legally separate non-stock corporation that provides programs and services that benefit families, children and youth of the City. Programs offered by the Association support goals which include promoting optimal child development and preventive care during early childhood; enhancing parenting skills; improving family functioning by teaching problem solving skills, building trusting relationships and improving family support systems; and reducing undesirable health outcomes such as poor immunization rates, child abuse and neglect and repeat teenage pregnancies. The Association derives financial support from the City in the form of in-kind services. HFP is included in the City's reporting entity because the resources of HFP are for the direct benefit of the City's constituents.

Coliseum Central Business Improvement District, Inc.

The Coliseum Central Business Improvement District, Inc. (Coliseum BID) was incorporated on January 22, 1996, to promote, develop and market the Coliseum Central Business District (District) within the City. The District was created by action of the City Council under provisions of the Code of Virginia. An additional tax is assessed on the commercial real estate in the District to provide funds for the economic development of the District. The City Council approved the renewal of the Association through June 2006. Coliseum BID is included in the City's reporting entity because the resources of Coliseum BID are for the direct benefit of the City's constituents.

Downtown Hampton Development Partnership, Inc.

The Downtown Hampton Development Partnership, Inc. (Downtown Hampton) was incorporated on August 15, 1995, to promote, develop, and market the Downtown Hampton Business Improvement District (District). The District was created by action of the City Council under provisions of the *Code of Virginia*. The City assesses an additional tax on the value of the commercial real estate in the District to provide funds for the economic development of the District. The City Council approved the renewal of the Association through June 2006. Downtown Hampton is included in the City's reporting entity because the resources of Downtown Hampton are for the direct benefit of the City's constituents.

Foundation of the Virginia Air and Space Center and the Hampton Roads History Center

The Foundation of the Virginia Air and Space Center and the Hampton Roads History Center (Foundation) was formed in 1992 after construction of the Virginia Air and Space Center. The Foundation exists to carry out the charitable, educational, literary, and scientific purposes of the Center. The Foundation is included in the City's reporting entity because the resources of the Foundation are significant to the City.

The following entities are not a part of the City of Hampton and, thus, are excluded from the accompanying financial statements:

Jointly Governed Organizations

Hampton-Newport News Community Services Board (CSB)

The CSB operates as an agent for the cities of Hampton and Newport News in the establishment and operation of community mental health, mental retardation and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia, relating to the Virginia Department of Mental Health and Mental Retardation. In addition, the Board provides a system of community mental health and mental retardation and substance abuse services which relate to and are integrated with existing and planned programs. The CSB designates its own management and adopts its own budget. The operations are financed principally by state and federal funds.

Other Regional Authorities

The following agencies serve the City of Hampton and surrounding localities. Board membership is allocated and appointed by the various councils and boards of the localities.

1. Hampton Roads Transit (HRT)
2. Peninsula Airport Commission (PAC)
3. Hampton Roads Planning District Commission (HRPDC)
4. Peninsula Alliance for Economic Development (PAED)
5. Virginia Peninsulas Public Service Authority (VPPSA)
6. Hampton Roads Regional Jail Authority (HRRJA)

Operating expenditures of HRT and HRPDC are financed by federal/state grants, fees and contributions. PAED's operating expenditures are financed by contributions from local businesses and local governmental units. The PAC's and VPPSA's operating and capital expenditures, including debt service, are financed entirely by its operations and contributions from participating localities. HRRJA's operating and capital expenditures, including debt service, are financed entirely by its operations.

The City of Hampton and its citizens purchase their water and sewer service directly from the Newport News Waterworks and Hampton Roads Sanitation District, respectively.

General Governmental Operations

All general governmental operations are accounted for in the General, Special Revenue, Capital Projects and Debt Service Funds. Substantially all recurring revenues and expenditures are accounted for in the General Fund and the School Operating Fund (included in the Discretely Presented Component Unit-School Board financial statements).

Total revenues, expenditures, and other financing sources and uses, fiscal year 2004 versus 2003 of General and School Operating Funds were as follows:

	<u>000's Omitted</u>		
	<u>2004</u>	<u>2003</u>	<u>Percent Increase (Decrease)</u>
<u>Revenues and Other Financing Sources:</u>			
General Fund	\$ 226,701	\$ 213,759	6.05
School Operating	<u>104,288*</u>	<u>102,012*</u>	<u>2.23</u>
Total	<u>330,989</u>	<u>315,771</u>	<u>4.82</u>
<u>Expenditures and Other Financing Uses:</u>			
General Fund	166,606*	156,043*	6.77
School Operating	<u>161,877*</u>	<u>151,962*</u>	<u>6.52</u>
Total	<u>328,483</u>	<u>308,005</u>	<u>6.65</u>
Excess (deficiency) funded to (from) fund balance	<u>\$ 2,506</u>	<u>\$ 7,766</u>	

* Excludes transfers between the General Fund and School Operating Fund.

General Fund revenues and other financing sources increased approximately \$13 million over fiscal year 2003. The significant increases in General Fund revenues for fiscal 2004 were in general property tax collections and other local taxes. Real estate tax collections increased by \$5.3 million as a result of a 7.6% increase in assessed values. Other local taxes increased due to a \$1.6 million increase in tobacco taxes as the rate was increased during fiscal year 2004, \$.855 million increase in real estate taxes, \$.835 million increase in sales taxes, and \$.818 million increase in cable utility taxes.

The School Operating Fund revenues increased by \$2.3 million over fiscal year 2003, attributable primarily to an increase in state reimbursements for basic aid based on student enrollment.

General Fund expenditures increased by approximately 7% over fiscal year 2003. The majority of this increase is due to performance increases averaging 3%, five (5) additional positions within the Police Department and twelve (12) in the Fire Department, and a 18% increase in premium cost for the City's self-insured hospitalization plan, which was shared equally between the City and its employees. Expenditures in Culture and Recreation increased due to greater than anticipated participation in recreational programs as well as technological improvements and the addition of a new facility, West Hampton Community Center. Increases in Social Services are due to the State of Virginia budget decreases, which in effect increased the amount that the City of Hampton had to contribute for purchase of services, such as counseling.

The School Board operating fund expenditures increased by \$12.4 million. This increase was due primarily to salary increases for all employees, acquisition of new software, additional technology equipment, and continued repairs to school buildings.

The four (4) fiscal policies adopted by City Council in 1986 relate to general operating elements of the City. Since their adoption, these policies have been used as financial planning parameters during the annual budget process. The following summarizes the policy statement and actual results:

- a. Personal Service Costs - Any percent increase in the cost for permanent, full-time City staff positions shall be less than the increase in local revenues.

Local revenues increased 8.92% from \$181.7 million in 2003 to \$197.9 million in 2004. Personal service costs (including fringe benefits) increased from \$78.8 million in 2003 to \$83.9 million or 6.47% in 2004. Actual was within the policy parameters.

- b. Non-Recurring Capital Expenditures from General Fund Resources - Not less than two percent (2%), but not more than six percent (6%) of estimated revenues per the annual operating budget (General Fund) shall be devoted to non-recurring capital expenditures.

Capital expenditures of the General Fund were \$8.8 million or 2.70% of estimated revenues (General Fund - \$220.3 million and School Operating Fund - \$105.1 million), which was within the two policy parameters.

- c. Undesignated Fund Balance - Shall be maintained at a level of not less than seven and a half percent (7.5%) of estimated revenues in the annual operating budget (General Fund and School Operating Fund).

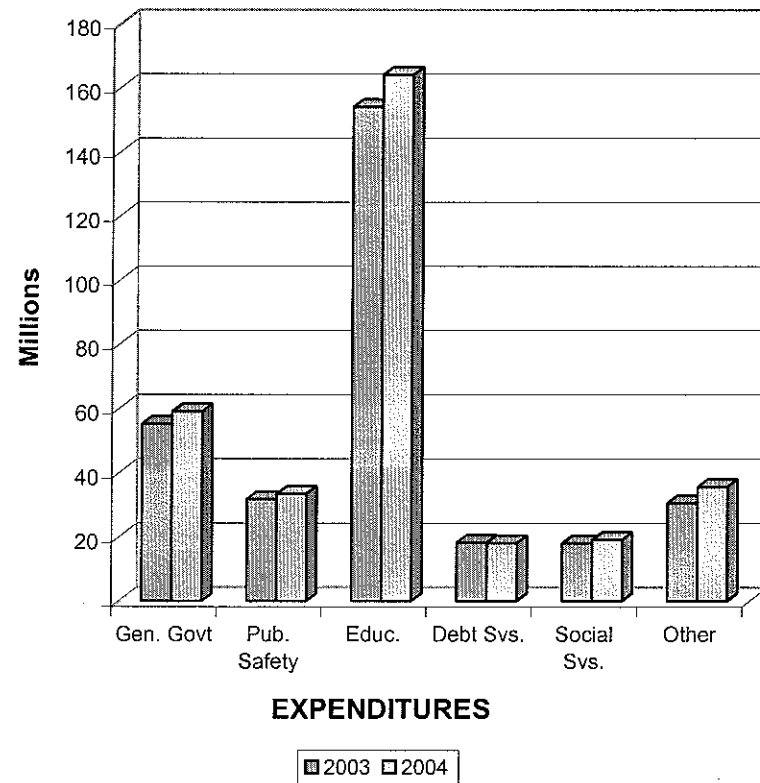
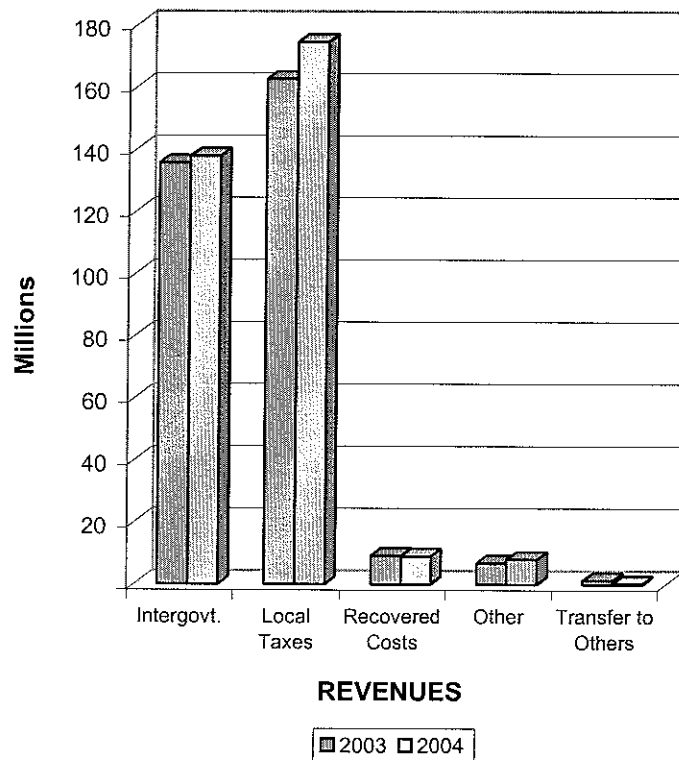
Undesignated fund balance at June 30, 2004 is \$28.5 million or 8.76% of estimated revenues, which is within the policy parameters.

The fourth policy relates to outstanding general obligation bonds and related debt service. That policy is discussed under the debt management section of this transmittal letter.

The following graph compares 2004 and 2003 General Fund and School Operating Fund revenues and expenditures:

SEE FOLLOWING PAGE

GENERAL FUND AND SCHOOL OPERATING FUND 2003 AND 2004 REVENUES EXPENDITURES



Note: Expenditures include items reflected in the basic financial statements as transfers

Debt Administration

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to municipal management, citizens and investors. The City's ratio continues in a favorable trend due to the combined effect of increased assessment value, the payoff of outstanding bonds and the City's fiscal policy on debt management. The data for the City at June 30, 2004 was as follows, using the latest population estimate by Weldon Cooper (144,400).

<u>Net bonded debt for City and</u>	
<u>Component Unit – School Board</u>	\$ 154,078,885
Ratio of debt to assessed value	2.43%
Debt per capita	\$1,067.03

<u>Net bonded debt excluding</u>	
<u>Component Unit – School Board and</u>	
<u>the \$4,670,038 issued on behalf of the</u>	
<u>Refuse-Steam Plant</u>	\$ 141,004,962
Ratio of debt to assessed value	2.23%
Debt per capita	\$976.49

<u>All net direct tax supported bonded</u>	
<u>debt and Long-Term Notes Payable and</u>	
<u>Discretely Presented Component Unit School</u>	
<u>Board debt (excluding HRHA debt)</u>	\$ 157,583,688
Ratio of debt to assessed value	2.49%
Debt per capita	\$1,091.30

Outstanding general obligation bonds at June 30, 2004 totaled \$154,078,885 of which \$8,403,885 in taxable bonds was issued on behalf of the Hampton School Board (a discretely presented component unit) and the balance of \$4,670,038 on behalf of the Refuse-Steam Plant (an internal service fund). The City's credit rating by Standard and Poor's rating service is AA and Aa2 by Moody's Investment Services.

During the year, \$11,244,135 of general debt, \$200,000 of The Hamptons Golf Course Revenue Bonds, and \$1,390,000 of Museum Revenue Bonds were retired. Museum Revenue Bonds of \$12,875,000 were outstanding at June 30, 2004. The Hamptons Golf Course Revenue Bonds of \$2,255,000 were outstanding at June 30, 2004. Convention Center Revenue Bonds of \$106,305,000 were outstanding at June 30, 2004.

The City's internal fiscal policies related to debt administration are:

- a) General bonded debt shall not exceed 3% of the assessed value of real property. At June 30, 2004, this would amount to \$190 million. (The legal limit authorized by the Commonwealth of Virginia is 10%); and,
- b) Related annual debt service cost will be the lesser of:
 - a. Related annual debt service cost shall not exceed 11.5% of local revenues (\$197.9 million), which would amount to \$22.8 million for fiscal 2004, or
 - b. Related annual debt service cost shall not exceed 9% of total revenues (\$240.2 million), which would amount to \$21.6 million for fiscal 2004.

Note: For policy purpose local revenues include the General Fund plus solid waste and wastewater user fees of \$8.4 million and \$5.1 million, respectively.

The outstanding general bonded debt at June 30, 2004 is \$154.1 million with related debt service cost (from General Fund sources) of \$19.8 million (\$11,856,042 principal and \$7,949,565 interest) for the year then ended, which is within the policy parameters. For debt policy purposes, outstanding general long-term debt includes general bonded debt (\$154.1 million), plus general long-term notes (\$1.8 million), literary loans (\$1.5 million), plus Museum Revenue Bonds (\$12.9 million), less amounts deposited in a sinking fund to retire general obligation bonds due 2007 (\$10.7 million), less general obligation bonded debt related to the Refuse-Steam Plant (\$4.8 million).

In addition to general obligation bonds, general long-term debt includes the following outstanding debts at June 30, 2004:

	Primary Government	Discretely Presented Component Unit School Board
Long-Term Notes Payable	\$ 1,802,326	
State Literary Loans	1,516,477	
Installment Purchases and Capital Leases	1,974,448	820,277
Accrued Sick and Annual Leave	4,964,344	5,594,964

Proprietary Funds Operations

The City currently operates eight enterprise funds including the component unit IDA and five internal service funds. The enterprise funds are set up to operate primarily from user fees charged to the general public, except the Industrial Development Authority of the City of Hampton, Virginia (IDA). The IDA fund's primary revenue source is the sale of property held for resale to promote manufacturing and commercial development in the City. Four of the internal service funds are operated from fees charged to agencies and departments of the City. In the fifth internal service fund, Refuse-Steam Plant, revenues are generated from sale of steam to NASA/Langley Research Center and Solid Waste Tipping Fees charged to the City according to an agreed-upon usage formula, as well as user fees charged to external customers.

The City funds operating deficits in the enterprise funds by increasing the user-fees or direct subsidy in the succeeding year. In fiscal year 2004, operating subsidy of \$455,000 to the Hamptons Golf Course was provided from General Fund resources.

Fiduciary Operations

The City maintains three fiduciary funds. The Pension Trust Fund (Hampton Employees' Retirement System) is the largest of the fiduciary funds and there are two agency funds (Special Welfare and Other). The Hampton Employees' Retirement System (HERS) is a City sponsored plan that provides a supplemental retirement benefit to participating employees. The primary retirement benefit is provided under the State sponsored Virginia Retirement System. The two plans are more fully discussed under the Retirement Plans section of this transmittal letter.

Retirement Plans

The City contributes to two pension plans for its employees, the Hampton Employees' Retirement System ("HERS") and the Virginia Retirement System ("VRS"). Each plan covers all full-time salaried employees who were hired prior to age sixty. As of July 1, 1984, HERS was closed to new entrants; employees first hired after June 30, 1984 are not eligible for membership in the Plan.

Contributions to HERS by the City and Component Unit School Board, were \$-0- for the fiscal year ended June 30, 2004.

Contributions to VRS were as follows:

City employees	\$ 9,261,600
School System non-professional employees	<u>470,069</u>
Total	<u>\$ 9,731,669</u>

In addition, the State assumes responsibility for a portion of the employer's share of VRS contributions for certain teaching and administrative personnel of the School Board. The School Board's 2004 contribution to the VRS statewide teacher pool was \$8,318,360.

Effective June 1, 1980, the City elected to pay the employees' 5 percent share of VRS. Contributions made on behalf of employees between June 1, 1980 and June 30, 1990 are credited to the City's account and not to an individual employee's account. Effective July 1, 1990, such contributions are credited to the employee's account. Effective July 1, 1981, the School Board elected to pay the employees' 5 percent share of VRS. Effective July 1, 1994, all contributions are refundable to terminating City and School employees.

Risk Management Program

The City and City Schools are exposed to various risk of losses related to torts, property damage, loss of assets, errors and omissions, natural disasters and workers' compensation claims. Under the City's self-insurance program, a combination of commercial coverage and self insurance is used to limit the City's exposure. The coverage limits are as follows:

	<u>Self-Insurance</u>	<u>Limits Under Commercial Insurance (After Self-Insurance Limit)</u>
Workmen's Compensation per occurrence (City and Schools)	Up to \$500,000	Up to \$10,000,000
General Liability per occurrence (City)	Up to \$1,000,000	Up to \$10,000,000
Property Damage per occurrence (City and Schools)	Up to \$50,000 (City); Up to \$100,000 (Schools)	Up to \$208,831,997 (City); Up to \$250,000,000 (Schools)
General Liability per occurrence (Schools)	Up to \$1,000,000 (Auto)	Up to \$10,000,000
Medical Claims	Up to \$100,000 per Individual in plan year (City)	Up to \$5,000,000 lifetime aggregate (City)

Cash Management

All of the City's cash is deposited with the City Treasurer, an elected officer. The responsibility for investing all City funds, except for retirement fund assets, is vested in the Department of Finance. City cash is invested primarily in overnight repurchase agreements, certificates of deposit, banker's acceptances, U.S. government-backed or guaranteed securities and other short-term investments permissible under the Virginia Security for Public Deposits Act.

At June 30, 2004, the various cash balances include cash on hand and on deposit in banks (including certificates of deposit) of \$21,713,248 and short-term investments consisting of repurchase agreements of \$12,327,632 and U.S. government securities of \$24,174,894.

Independent Audit

The City Charter requires an annual audit of the City by independent certified public accountants selected by the City Council. This requirement has been complied with, and the auditor's opinion has been included in this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hampton for its comprehensive annual financial report for the fiscal year ended June 30, 2003.

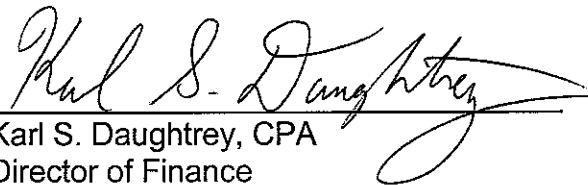
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements. This report will also be submitted to the GFOA to determine its eligibility for a certificate.

Acknowledgments

We acknowledge, with gratitude, the continued efficient and dedicated service rendered by the Finance Department staff and the assistance rendered by Witt Mares in keeping us in conformity with the rapidly changing accounting interpretations and principles. We also appreciate the responsible and progressive management program administered by your office and the members of the City Council.

Respectfully submitted,


Karl S. Daughtrey, CPA
Director of Finance


Rowena S. Gyorke, CPA
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hampton,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director

AUDITOR'S REPORT





WITT MARES
EGGLESTON SMITH, PLC

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Hampton, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hampton, Virginia, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hampton's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hampton Redevelopment and Housing Authority's funds, which statements reflect total assets of \$43,777,777 as of December 31, 2003, and total revenues of \$23,526,901 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Hampton Redevelopment and Housing Authority in the proprietary fund types, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hampton, Virginia, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 32 through 45 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 30, 2004 on our consideration of the City of Hampton, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit and the audit of the other auditors were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hampton, Virginia's basic financial statements. The accompanying financial information listed as combining and individual statements and supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole. Federal awards with expenditures totaling \$19,148,724 expended by the Hampton Redevelopment and Housing Authority have been excluded from the Schedule of Expenditures of Federal Awards. Such expenditures have been subjected to the auditing procedures applied in the audit of the Hampton Redevelopment and Housing Authority's financial statements referred to above by the other auditors whose report thereon has been furnished to us. The statistical information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Hampton, Virginia. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Witt Mares Eggleston Smith, PLC

Newport News, Virginia
November 30, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS



The following discussion and analysis of the City of Hampton's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the transmittal letter on page 5 and the City's financial statements, which follow this section (page 46).

FINANCIAL HIGHLIGHTS

- The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources and uses by \$5.8 million (Exhibit A-4) after making a \$54.3 million transfer to Hampton City Schools, \$8.8 million transfer to Capital Projects, \$7.3 million transfer to Enterprise Funds, \$2.4 million to Special Revenue Funds and \$18.1 million to Debt Service Funds.
- On a government-wide basis for governmental activities, the City's net assets increased by \$11.8 million (Exhibit A-2).
- In the City's business-type activities, on a government-wide basis, net assets increased by \$11.3 million (Exhibit A-2).
- The assets of the City of Hampton exceed its liabilities at the close of fiscal year 2004. The City's total net assets, excluding component units, on the government-wide basis, totaled \$208.8 million at June 30, 2004. Of this amount, \$61.6 million is available for spending at the government's discretion (unrestricted net assets - Exhibit A-1).
- On a government-wide basis for business-type activities, the City's expenses exceeded program revenue by \$4.8 million.

USING THE FINANCIAL SECTION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Comprehensive Annual Financial Report consists of four (4) sections: introductory, financial, statistical and financial compliance reports for federal funds. The financial section consists of three (3) sections: *management's discussion and analysis; basic financial statements; and supplementary information.*

GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements are designed to provide the reader with a broad overview of the City of Hampton's finances, in a manner similar to a private-sector business. One of the most frequently asked questions about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all of the assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and the changes in them. One can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health or financial position. Over time increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors will need to be considered, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, found on pages 46 – 48 of this report, we divide the City into the following:

- Governmental activities – Most of the City's basic services are reported here, including general government, public safety, public works, social services, and culture and recreation. Property taxes, other local taxes, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's coliseum, golf courses, museum, convention center, sewer and trash collection operations are reported here. In addition the City's blended component unit, Hampton Redevelopment and Housing Authority (HRHA), is reported here. HRHA's low rent housing operations are funded primarily by charges to renters and federal grants.
- Component units – The City includes six separate legal entities in its report – the Hampton City School Board, Hampton Industrial Development Authority, Coliseum Central Business Improvement District, Inc., Downtown Hampton Development Partnership, Inc., Healthy Families Partnership, Inc., and Foundation of the Virginia Air and

Space Center and the Hampton Roads History Center. Although legally separate, these “component units” are important because the City is either financially accountable for them and provides operating and capital funding or their economic resources are either significant to the City or entirely for the benefit of the City or its constituents.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund statement presentation more familiar, although the focus is now on the City’s most significant funds. The fund financial statements provide more information about the City’s most significant funds – not the City as a whole. The City of Hampton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The City has three kinds of funds:

- Governmental funds – Most of the City’s basic services are reported in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the future to finance the City’s programs. Because this information does not address the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

The basic governmental fund financial statements can be found on pages 49 – 53 of this report.

The City of Hampton maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general, economic development special revenue fund, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements.

- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

In fact the City's enterprise funds (one type of proprietary fund) are its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flow. The City maintains seven individual enterprise funds and HRHA maintains one. Information is presented separately in the proprietary fund statement of net assets, the proprietary fund statement of revenues, expenses and changes in fund net assets and the proprietary fund statement of cash flows for the convention center, the Hamptons, Museum, Wastewater Management and HRHA funds, all of which are considered to be major funds. Data for the other three enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of a combining statement.

The basic proprietary fund financial statements can be found on pages 54 - 58 of this report.

The City uses five internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. These funds provide for the accumulation of money to replace capital equipment used in the City's operations, maintenance services for the City's vehicle fleet, computer and telecommunication services, risk management and steam generation. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of these internal service funds is provided in the form of a combining statement.

The basic internal service fund financial statements can be found on pages 148 - 152 of this report.

- Fiduciary funds – The City is the trustee, or fiduciary, for its employees' pension plan. All of the City's fiduciary activities are reported in separate statements of fiduciary net assets and statements of changes in fiduciary net assets. The City excludes these activities from the City's government-wide statements because the City cannot use these assets to finance its operations. Agency funds are City custodial funds used to provide accountability of client monies for which the City is custodian. The basic fiduciary funds financial statements can be found on pages 57 and 58 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I
Summary of Statement of Net Assets (In Thousands)
June 30, 2004 and 2003

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2004	2003	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 131,162	\$ 137,159	\$ 93,649	\$ 130,164	\$ 224,811	\$ 267,323	\$ 46,040	\$ 49,221
Capital assets	143,437	135,597	169,036	121,796	312,473	257,393	42,915	43,219
Total assets	<u>274,599</u>	<u>272,756</u>	<u>262,685</u>	<u>251,960</u>	<u>537,284</u>	<u>524,716</u>	<u>88,955</u>	<u>92,440</u>
Other Liabilities	20,953	19,684	13,078	11,312	34,031	30,996	11,384	13,467
Long-term liabilities	166,455	179,796	125,827	128,135	292,282	307,931	20,263	19,397
Total liabilities	<u>187,408</u>	<u>199,480</u>	<u>138,905</u>	<u>139,447</u>	<u>326,313</u>	<u>338,927</u>	<u>31,647</u>	<u>32,864</u>
Net assets:								
Invested in capital assets, net of related debt	(7,827)	(23,248)	93,712	87,471	85,885	64,223	42,045	41,556
Restricted	43,978	50,868	15,760	17,148	59,738	68,016	9,269	9,073
Unrestricted	51,040	45,656	14,308	7,894	65,348	53,550	5,994	8,947
Total net assets	<u>\$ 87,191</u>	<u>\$ 73,276</u>	<u>\$ 123,780</u>	<u>\$ 112,513</u>	<u>\$ 210,971</u>	<u>\$ 185,789</u>	<u>\$ 57,308</u>	<u>\$ 59,576</u>

The City's combined net assets (which is the City's bottom line) increased by 13.5 percent, or \$25 million to \$211 million, of which approximately 28% represents resources that are subject to external restrictions. The largest portion of the City's net assets (41%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to citizens and consequently are not available for future spending. The City's unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – were \$65.3 million.

Table II
Summary of Changes in Net Assets (In Thousands)
For the Fiscal Years Ended June 30, 2004 and 2003

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Component Units</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues:								
Program revenues:								
Charges for services	\$ 18,714	\$ 16,851	\$ 27,586	\$ 26,988	\$ 46,300	\$ 43,839	\$ 4,814	\$ 5,475
Operating grants and contributions	76,555	52,186	19,109	16,890	95,664	69,076	121,681	115,979
Capital grants and contributions			2,068	5,558	2,068	5,558	99	
General revenues:								
Property taxes	116,385	110,700			116,385	110,700		
Other taxes	61,725	54,098			61,725	54,098		
Other	3,274	4,379	7,585	6,248	10,859	10,627	59,019	60,682
Total revenues	<u>276,653</u>	<u>238,214</u>	<u>56,348</u>	<u>55,684</u>	<u>333,001</u>	<u>293,898</u>	<u>185,613</u>	<u>182,136</u>

Expenses:								
General government	\$ 96,371	\$ 71,013	\$ -	\$ -	\$ 96,371	\$ 71,013	\$ 3,591	\$ 6,652
Public safety	39,821	35,779			39,821	35,779		
Highways and streets	2,302	2,170			2,302	2,170		
Sanitation	2,370	1,861	13,499	12,962	15,869	14,823		
Health	3,072	2,843			3,072	2,843		
Social services	24,905	23,313			24,905	23,313	134	
Culture and recreation	13,104	11,938	17,894	19,131	30,998	31,069	2,942	
Education - payment to School Board	54,321	52,588			54,321	52,588		
Educational	3,473	3,339			3,473	3,339	184,728	172,736
Capital improvements	7,976	10,358			7,976	10,358		
Housing			22,149	20,483	22,149	20,483		
Interest on long-term debt	7,911	9,816	-	-	7,911	9,816	-	-
Total expenses	<u>255,626</u>	<u>225,018</u>	<u>53,542</u>	<u>52,576</u>	<u>309,168</u>	<u>277,594</u>	<u>191,395</u>	<u>179,388</u>
Increase (decrease) in net assets before transfers and special items								
	21,027	13,196	2,806	3,108	23,833	16,304	(5,782)	2,748
Special items								
	102	850	1,247	(684)	1,349	166	342	(65)
Transfers	<u>(7,214)</u>	<u>(8,897)</u>	<u>7,214</u>	<u>8,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets								
	13,915	5,149	11,267	11,321	25,182	16,470	(5,440)	2,683
Net assets, July 1	<u>73,276</u>	<u>68,127</u>	<u>112,513</u>	<u>101,192</u>	<u>185,789</u>	<u>169,319</u>	<u>62,748</u>	<u>56,893</u>
Net assets, June 30	<u>\$ 87,191</u>	<u>\$ 73,276</u>	<u>\$ 123,780</u>	<u>\$ 112,513</u>	<u>\$ 210,971</u>	<u>\$ 185,789</u>	<u>\$ 57,308</u>	<u>\$ 59,576</u>

GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2004, revenues from governmental activities totaled \$274.5 million. Real estate tax revenues, the City's largest revenue source, reflecting the accrual of the last half calendar year 2003 and the first half calendar year 2004 real property tax billing, were \$79.1 million. The City's assessed real property tax base for calendar year 2004 was \$6.3 billion.

In fiscal year 2004, the City reported current year collections of \$29.1 million in personal property taxes, the City's second largest revenue source, and received reimbursement from the Commonwealth of Virginia of \$14.6 million. Under the provisions of the Personal Property Tax Relief Act (PPRTA), the State's share of local personal property tax payment for calendar year 2003 (FY 2004) was approximately 70% percent of most taxpayer's' payments.

For the fiscal year ended June 30, 2004, expenses for governmental activities totaled \$255.6 million, excluding transfers, of which approximately 38% were for general government and 21% for education.

BUSINESS-TYPE ACTIVITIES

Revenues of the City's business-type activities were \$57.6 million and expenses were \$53.5 million, excluding transfers. The major component of revenues was charges for services (\$27.6 million), which comprised 48% of total revenues. Housing expenses (\$22 million) comprised the bulk of total expenses at approximately 41%. Capital contributions of \$2.1 million represented land donations, infrastructure additions, building improvements, and low-rent housing construction.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, the governmental funds reflect a combined fund balance of \$89.3 million. Included in this year's total change in fund balance is a reduction of \$10.1 million in the capital projects fund resulting from increased capital spending. The primary reason for the General Fund's \$5.8 million increase in fund balance was \$3.5 million in real estate tax revenue in excess of budget and expenditures under budget by \$15.5 million as further discussed below.

Net assets of business-type activities for the fiscal year ending June 30, 2004 increased by 9%, or \$10.1 million, from \$111.6 million to \$121.7 million. This increase is primarily due to the continued construction of the Convention Center. The Convention Center project began in 2001 and its estimated completion date is 2005. During fiscal year 2004, a land purchase of \$1.5 million and meal and lodging tax collections designated for the center in the amount of \$4.1 million (2% of total collected for the City) significantly increased the Convention Center's net assets.

Other major contributing factors for the increase in business-type net assets include the improvement of museum exhibits. The Museum's net assets increased \$4.1 million mainly due to contributions or exhibit construction. The Museum constructed a new Aviation Gallery which opened in November 2003 and has made improvements to existing exhibits and the IMAX theatre.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City Council revised the budget on several occasions. City Council appropriated \$4,218,471 from designated fund balance to fund uncompleted projects in the Capital Projects Fund. These projects were funded from the General Fund in fiscal year 2003 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, City Council appropriated \$854,356 from designated fund balance, which was based on fiscal year 2003 departmental savings. In addition, remaining budget savings of \$1,940,192 from prior fiscal years were rolled over from fiscal year 2003 to fiscal year 2004. City Council adopted a budget savings program whereby departments will retain 65 percent of their end of the fiscal year budget savings, 10 percent will be put into an innovations pool and the remaining balance of 25 percent will return to fund balance. Also, the City reappropriated grant, donation, and other revenues.

Actual expenditures and transfers were \$15.5 million below the final budget. A significant amount of this variance (\$7.1 million) occurred in the general government function, where savings were noted in fringe benefits from vacant positions (\$1 million) and unused budget savings (\$2.2 million) under the City's budget savings program. A \$6.5 million variance was noted in transfers to other funds. The majority of this variance occurred from projects in the Capital Projects Fund that were at various stages of completion. Typically, funding for these projects is reappropriated in the subsequent fiscal year.

Revenues exceeded budget by \$6.4 million. The majority of this increase can be attributed to real estate taxes and utility taxes. We anticipated a 4.9% increase in real estate assessments. The actual increase was 7.6%. In addition we experienced growth of 7.3% in sales and use tax and 8.2% in meal tax over 2003, which can be attributed to the City's economic development efforts.

CAPITAL ASSETS

The total increase in the City's investment in capital assets for the current fiscal year was 21.4%. At the end of fiscal year 2004, the City had invested \$312.5 million in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net increase of \$55.1 million from the end of last fiscal year.

Table III
Governmental Funds
Change in Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Non-depreciable assets:						
Land and land improvements	\$ 31,896	\$ 28,860	22,413	\$ 21,117	\$ 54,309	\$ 49,977
Construction in progress	18,581	15,356	59,466	19,995	78,047	35,351
Other capital assets:						
Buildings and improvements	71,640	71,563	77,948	75,206	149,588	146,769
Improvements other than buildings	51,920	48,768	2,248	2,238	54,168	51,006
Equipment and vehicles	53,677	50,455	19,660	16,634	73,337	67,089
Exhibits			10,656	6,593	10,656	6,593
Infrastructure	4,674	3,266	53,271	51,893	57,945	55,159
Accumulated depreciation	(88,951)	(82,671)	(76,626)	(71,880)	(165,577)	(154,551)
Total	<u>\$ 143,437</u>	<u>\$ 135,597</u>	<u>\$ 169,036</u>	<u>\$ 121,796</u>	<u>\$ 312,473</u>	<u>\$ 257,393</u>

Component Units	School Board		Industrial Development Authority		Coliseum Central Business Improvement District, Inc.		Downtown Hampton Development Partnership, Inc.		Healthy Families Partnership, Inc.		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Non-depreciable assets:												
Land and land improvements	\$ 5,058	\$ 5,058	\$ 18,025	\$ 19,050	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,083	\$ 24,108
Construction in progress			2,586	1,469							2,586.00	1,469.00
Other capital assets:												
Buildings and improvements	49,508	49,508					1,778	1,778			51,286.00	51,286.00
Improvements other than buildings	310	310	383	383			140,125	118,245			140,818.00	118,938.00
Infrastructure			1,711								1,711.00	-
Equipment and vehicles	28,692	27,526	50	50	70,003	70,003	67,331	65,970	11,663		177,739.00	163,549.00
Accumulated depreciation	(63,103)	(59,717)	(468)	(418)	(50,562)	(42,624)	(76,404)	(64,156)	-	-	(190,537.00)	(166,915.00)
Total	\$ 20,465	\$ 22,685	\$ 22,287	\$ 20,534	\$ 19,441	\$ 27,379	\$ 132,830	\$ 121,837	\$ 11,663	\$ -	\$ 206,686	\$ 192,435

The City's fiscal year 2005 capital budget sets forth \$2.8 million in road projects; \$1.3 million in community enhancements; \$1.0 million for Bass Pro Shops related infrastructure; and \$100.6 million for the convention center project. School maintenance and construction/renovation projects have been earmarked \$9.2 million in the capital budget and \$14.0 million is slated for investment in the City's business districts. Construction began and/or was completed for a variety of street projects, building maintenance and infrastructure, education and other projects. Additional information about the City's capital assets can be found in Note 6 to the financial statements on pages 94 - 100.

LONG-TERM DEBT

In February 2004, the City issued \$12.875 million in Museum Revenue Refunding bonds. The proceeds of these bonds and certain funds held under the indenture were used to defease and prepay \$13.275 million of the City's Museum Revenue Refunding Bonds, Series 1994. The bonds are payable solely from, and collateralized by, revenues derived from ownership and operation of the project and nonrequired appropriations by the City pursuant to its moral obligation pledge.

At the end of fiscal year 2004, the City had \$155.1 million in outstanding general obligation bonds, a decrease of \$11.1 million or 6.7% under that held at June 30, 2003. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements on pages 100 – 116.

The Commonwealth of Virginia limits the amount of general obligation debt the City can issue to 10% of assessed valuation of real property. As of June 30, 2004, the City's aggregate general obligation indebtedness is \$475 million below this limit.

Table IV
City of Hampton
Change in General Obligation and Revenue Bonds (In Thousands)
June 30, 2004 and 2003

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General Obligation bonds	<u>\$ 155,094</u>	<u>\$ 166,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>155,094</u>	<u>\$ 166,238</u>
Revenue bonds			124,708	125,834	124,708	125,834
Less deferred amount for advance refunding	<u>-</u>	<u>-</u>	<u>(1,758)</u>	<u>(1,073)</u>	<u>(1,758)</u>	<u>(1,073)</u>
	<u>-</u>	<u>-</u>	<u>122,950</u>	<u>124,761</u>	<u>122,950</u>	<u>124,761</u>
Total primary government	<u>\$ 155,094</u>	<u>\$ 166,238</u>	<u>\$ 122,950</u>	<u>\$ 124,761</u>	<u>\$ 278,044</u>	<u>\$ 290,999</u>
Component Unit - Industrial Development Authority						
Revenue bonds					<u>\$ 11,808</u>	<u>\$ 12,194</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's staff and City Council considered many factors when developing the fiscal year 2005 budget. One of the major of those factors is the economy.

- Continued growth in the area is expected to continue to increase the tax base. As a result, the City's largest revenue sources, real estate and property taxes, will increase.
- Significant growth in real estate assessments coupled with some return on several of the City's retail economic development initiatives and savings from a review of the City's operations have generated enough revenue to support a real estate tax reduction of two-cents, from \$1.27 per \$100 of assessed value to \$1.25 per \$100 of assessed value. This decrease is truly significant because the city has not had a real estate tax reduction since the fiscal year 1988 budget.

The fiscal 2005 approved budget for the General Fund is \$345,195,890, a 5.6 percent increase over the fiscal year 2004 budget. New budget initiatives are as follows: a full year's funding of 12 firefighters and 5 police officers hired and only partially funded in fiscal year 2004 (\$2 million); merit increases ranging from 0 to 5 percent for all employees and 18 percent increase in City's share of health insurance (\$4.2 million); funding of an increase in retirement system payments to the Virginia Retirement System and Hampton Employees Retirement System due to slower than expected investment returns (\$2.5 million); and funding for new initiatives (\$2.9 million) including 6 new positions and operating expenses to support the aggressive redevelopment activities of the merged Retail and Economic Development function of the City, 2 new positions to work with existing businesses, 5 new police officers to fulfill year four of a five-year commitment, increased operating and overtime funding for Police and Fire departments, and funding for enhanced city beautification and maintenance projects, downtown pier repair and technology needs.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Karl S. Daughtrey, Director of Finance, 22 Lincoln Street, 7th Floor, Hampton, Virginia 23669, telephone (757) 727-6230.

BASIC FINANCIAL STATEMENTS



CITY OF HAMPTON, VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2004

Exhibit A-1

	Primary Government			Component Units						Foundation of the Virginia Air and Space Center and the Hampton Roads History Center
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Healthy Families Partnership, Inc.		
ASSETS										
Cash and cash equivalents	\$ 69,444,435	\$ 10,091,930	\$ 79,536,365	\$ 2,774,185	\$ 912,273	\$ 171,076	\$ 107,898	\$ 174,368	\$	21,277
Cash with fiscal agent	74,537	651,120	725,657		1,821,533					
Investments	36,433,536	8,366,560	44,800,096	8,358	125,068					530,241
Accounts receivables	9,675,729	2,416,847	12,092,576	319,788	353,504	148,978	9,052	2,156		
Lease receivable					19,124,121					
Due from component unit	417,336	10,971	428,307							
Due from primary government				23,822	467,805					
Internal balances	1,151,979	(1,151,979)								
Due from other governments	10,731,050		10,731,050	5,391,333						
Inventories	209,752	310,139	519,891	311,208						
Prepaid items		93,304	93,304			6,089	5,744			
Temporarily restricted assets:										
Cash and cash equivalents		9,118,715	9,118,715		970,643					
Investments		60,762,148	60,762,148		174,777					
Accounts receivable										1,295,787
Notes receivable	2,732,348	284,023	3,016,371		1,457,248					
Deferred charges	291,519	2,696,008	2,987,527							
Land held for sale					9,331,851					
Capital assets not being depreciated	50,476,719	81,879,050	132,355,769	5,058,366	20,610,320					
Capital assets, net of accumulated depreciation	92,960,525	87,156,464	180,116,989	15,406,392	1,676,219	19,441	132,830	11,663		-
Total assets	\$ 274,599,465	\$ 262,685,300	\$ 537,284,765	\$ 29,293,452	\$ 57,025,360	\$ 345,584	\$ 255,524	\$ 188,187	\$	1,847,305
LIABILITIES										
Accounts payable and other liabilities	\$ 14,351,950	\$ 2,648,496	\$ 17,000,446	\$ 1,356,132	\$ 126,873	\$ 15,411	\$ 17,806	\$ 360	\$	-
Due to other governments		502,641	502,641							
Due to component units	491,627		491,627							
Due to primary government				110,411	317,896					
Deferred revenue	6,161,794	2,758,653	8,920,447	556,570	8,557,282		600			
Matured bonds and coupons payable	18,428		18,428		324,111					
Current liabilities payable from restricted assets		7,094,474	7,094,474							
Interfund loans payable	(70,585)	73,648	3,063							
Notes and other long-term payables:										
Due within one year	5,026,459	288,954	5,315,413	820,277			50,000			
Due in more than one year	6,334,359	2,589,083	8,923,442	5,594,965						1,989,380
Bonds payable:										
Due within one year	10,648,418	1,583,901	12,232,319		282,479					
Due in more than one year	144,445,723	121,365,358	265,811,081	-	11,526,014	-	-	-		-
Total liabilities	187,408,173	138,905,208	326,313,381	8,438,355	21,134,655	15,411	68,406	360		1,989,380
NET ASSETS										
Invested in capital assets, net of related debt	(7,826,592)	93,712,109	85,885,517	19,644,481	22,286,539	19,441	82,830	11,663		
Restricted for:										
Capital projects	12,674,670	9,366,780	22,041,450		8,243,913					
Debt service	12,198,658		12,198,658							
Other purposes	19,104,307	6,392,778	25,497,085		839,465			8,750		176,607
Unrestricted	51,040,249	14,308,425	65,348,674	1,210,616	4,520,788	310,732	104,288	167,414		(318,682)
Total net assets	87,191,292	123,780,092	210,971,384	20,855,097	35,890,705	330,173	187,118	187,827		(142,075)
Total liabilities and net assets	\$ 274,599,465	\$ 262,685,300	\$ 537,284,765	\$ 29,293,452	\$ 57,025,360	\$ 345,584	\$ 255,524	\$ 188,187	\$	1,847,305

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2004**

Exhibit A-2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets									
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units					Foundation of the Virginia Air and Space Center and the Hampton Roads History Center	
					Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Healthy Families Partnership, Inc.		
Primary government:														
Governmental activities:														
General government	\$ 98,371,335	\$ 2,414,332	\$ 35,452,090	\$ -	\$ (58,504,913)	\$ -	\$ (58,504,913)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	39,821,134	1,872,405	11,282,744		(26,665,985)		(26,665,985)							
Highways and streets	2,302,056		10,360,430		8,058,374		8,058,374							
Sanitation	2,369,549	10,014,939			218,000		7,863,390							
Health	3,071,888		3,360		(3,068,528)		(3,068,528)							
Social services	24,905,298	13,145	18,851,507		(6,040,646)		(6,040,646)							
Culture and recreation	13,104,305	2,368,491	164,269		(10,571,545)		(10,571,545)							
Education (payment to school district)	54,321,269				(54,321,269)		(54,321,269)							
Education and educational services	3,473,038	2,030,644	222,535		(1,219,859)		(1,219,859)							
Capital improvements	7,976,133				(7,976,133)		(7,976,133)							
Interest on long-term debt	7,910,727	-	-	-	(7,910,727)	-	(7,910,727)	-	-	-	-	-	-	-
Total governmental activities	255,626,732	18,713,956	76,654,935	-	(160,357,841)	-	(160,357,841)	-	-	-	-	-	-	-
Business-type activities:														
Culture and recreation	17,894,000	11,923,386	549,337	375,886		(5,045,591)	(5,045,591)							
Sanitation	13,499,324	13,727,895	-	1,103,942		1,332,513	1,332,513							
Housing	22,148,864	1,934,262	18,559,947	588,777	-	(1,065,878)	(1,065,878)	-	-	-	-	-	-	-
Total business-type activities	53,542,188	27,585,543	19,109,284	2,068,405	-	(4,778,956)	(4,778,956)	-	-	-	-	-	-	-
Total primary government	\$ 309,168,920	\$ 46,299,499	\$ 95,664,219	\$ 2,068,405	(160,357,841)	(4,778,956)	(165,136,797)	-	-	-	-	-	-	-
Component units:														
Industrial development	\$ 2,409,580	\$ 242,979	\$ -	\$ -					(2,166,601)					
Public school system	184,728,290	4,480,060	121,151,200					(59,097,030)						
Business improvement	661,740		11,300							(650,440)				
Downtown development	519,612	69,922	288,592								(161,098)			
Healthy families	133,692	20,962	114,659									1,929		
Museum support	2,942,341	-	115,500	98,548	-	-	-	-	-	-	-	-	(2,728,293)	
Total component units	\$ 191,395,255	\$ 4,813,923	\$ 121,681,251	\$ 98,548	-	-	-	(59,097,030)	(2,166,601)	(650,440)	(161,098)	1,929	(2,728,293)	

	Primary Government			Component Units					
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	Coliseum Central Business Improvement District, Inc.	Downtown Hampton Development Partnership, Inc.	Healthy Families Partnership, Inc.	Foundation of the Virginia Air and Space Center and the Hampton Roads History Center
General revenues:									
Taxes:									
Property taxes	\$ 116,384,805	\$ -	\$ 116,384,805	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	12,218,035		12,218,035						
Lodging, meal and amusement taxes	16,373,292		16,373,292						
Motor vehicle taxes	3,170,502		3,170,502						
Alcoholic beverage taxes	361,745		361,745						
Other local taxes	29,601,352		29,601,352						
Payments from (to) City of Hampton				54,321,269	2,796,633	363,888	152,673		
Investment earnings	1,102,477	383,189	1,485,666	15,365	938,362	335,687			59,709
Miscellaneous	2,171,934	7,201,401	9,373,335		18,722	2,398	4,744	10,588	
Special item - gain (loss) on disposal of assets	(607,528)	1,247,952	640,424	(125,295)	11,107				
Special item - donated property	710,149		710,149		456,917				
Transfers	(7,213,768)	7,213,768	-	-	-	-	-	-	-
Total general revenues, special items and transfers	174,272,995	16,046,310	190,319,305	54,211,339	4,221,741	701,953	157,417	10,588	59,709
Change in net assets	13,915,154	11,267,354	25,182,508	(4,885,691)	2,055,140	51,513	(3,681)	12,517	(2,668,584)
Net assets, beginning	73,276,138	112,512,738	185,788,876	25,740,788	33,835,565	278,660	190,799	175,310	2,526,509
Net assets, ending	\$ 87,191,292	\$ 123,780,092	\$ 210,971,384	\$ 20,855,097	\$ 35,890,705	\$ 330,173	\$ 187,118	\$ 187,827	\$ (142,075)

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004**

Exhibit A-3

	General Fund	Special Revenue - Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 39,789,862	\$ 4,344,286	\$ 1,877,612	\$ 40,674	\$ 9,069,489	\$ 55,121,923
Cash with fiscal agent			18,428	18,580		37,008
Investments	7,921,613		10,320,912	18,191,011		36,433,536
Accounts receivables:						
Taxes (net of allowance for uncollectibles)	7,312,854					7,312,854
Due from other governments	5,225,348			1,500,000	4,005,702	10,731,050
Other	1,286,182	142,255	134		744,508	2,173,079
Notes receivable		3,932,347	2,257,288		70,586	6,260,221
Due from other funds	8,576,159	1,423,052		4,837,335	1,081,261	15,917,807
Due from component units	348	317,696				318,044
Inventories	112,006	-	-	-	-	112,006
Total assets	<u>\$ 70,224,372</u>	<u>\$ 10,159,636</u>	<u>\$ 14,474,374</u>	<u>\$ 24,587,600</u>	<u>\$ 14,971,546</u>	<u>\$ 134,417,528</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 4,976,797	\$ 23,409	\$ -	\$ 633,478	\$ 1,446,697	\$ 7,080,381
Accrued health insurance	1,186,903					1,186,903
Claims payable	383,408					383,408
Accrued liabilities	1,644,438				95,496	1,739,934
Deferred revenue	6,209,529	4,198,209	2,257,288		5,264,032	17,929,058
Due to other funds	10,930,700	70,193		1,639,580	3,693,692	16,334,165
Due to component units	367,711	39,410		69,722	14,784	491,627
Matured bonds and coupons payable	-	-	18,428	-	-	18,428
Total liabilities	<u>25,699,486</u>	<u>4,331,221</u>	<u>2,275,716</u>	<u>2,342,780</u>	<u>10,514,701</u>	<u>45,163,904</u>
Fund balances:						
Reserved for:						
Encumbrances	1,501,836					1,501,836
Courthouse maintenance	308,000					308,000
Hazmat	9,473					9,473
Debt service			12,198,658			12,198,658
Unreserved:						
Designated for:						
Succeeding fiscal year	14,183,107					14,183,107
Specific projects - Permanent fund					59,278	59,278
Specific projects - Special Revenue funds		2,354,852			538,005	2,892,857
E911 system - Special Revenue funds					148,386	148,386
Construction projects				22,244,820		22,244,820
Undesignated, reported in:						
General fund	28,522,470					28,522,470
Special Revenue funds	-	3,473,563	-	-	3,711,176	7,184,739
Total fund balances	<u>44,524,886</u>	<u>5,828,415</u>	<u>12,198,658</u>	<u>22,244,820</u>	<u>4,456,845</u>	<u>89,253,624</u>
Total liabilities and fund balances	<u>\$ 70,224,372</u>	<u>\$ 10,159,636</u>	<u>\$ 14,474,374</u>	<u>\$ 24,587,600</u>	<u>\$ 14,971,546</u>	<u>\$ 134,417,528</u>

Total fund balances of governmental funds	\$ 89,253,624
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. (Note 6)	131,803,022
Other assets not available to pay current-period expenditures and, therefore, are deferred in the funds.	12,058,781
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	
Net assets on Combining Statement of Net Assets -	
Internal Service Funds	25,550,365
Internal charges eliminated in government-wide statements	(318,809)
Other liabilities not paid from current-period revenues are not reported in the funds for:	
Accrued interest	(2,840,984)
Interfund balances related to amounts eliminated in the Statement of Net Assets	(1,762,924)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds. (Note 8)	(165,351,783)
Interfund loans are not due and payable in the current period and are not reported in the funds.	<u>(1,200,000)</u>
Net assets of governmental activities	<u>\$ 87,191,292</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2004

Exhibit A-4

	General Fund	Special Revenue - Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:						
General property taxes	\$ 116,384,805	\$ -	\$ -	\$ -	\$ -	\$ 116,384,805
Other local taxes	58,307,818				1,230,144	59,537,962
Intergovernmental revenues:						
From the Commonwealth of Virginia	23,541,910				10,728,398	34,270,308
From the Federal government	10,472,975				20,118,086	30,591,061
From other local governments					3,122,401	3,122,401
Permits, privilege fees and regulatory licenses	1,662,130					1,662,130
Fines and forfeitures	1,637,574					1,637,574
Revenues from use of money and property	598,189	389,958	13,414	253,569	385,261	1,640,391
Charges for services	2,862,553				3,913,533	6,776,086
Miscellaneous	2,066,223	161,574			3,804,994	6,032,791
Recovered costs	9,091,750	-	392,176	-	-	9,483,926
Total revenues	226,625,927	551,532	405,590	253,569	43,302,817	271,139,435
Expenditures:						
Current:						
General government	57,899,935	872,506			29,766,038	88,538,479
Public safety	33,684,129				5,502,184	39,186,313
Highways and streets	2,210,670					2,210,670
Sanitation					2,369,549	2,369,549
Health	3,060,568					3,060,568
Social services	19,148,614				5,686,965	24,835,579
Culture and recreation	11,417,932				1,581,508	12,999,440
Education	2,146,623					2,146,623
Capital improvements				18,058,016		18,058,016
Debt service:						
Principal retirement			11,605,482			11,605,482
Interest and fiscal charges	-	-	8,255,152	-	-	8,255,152
Total expenditures	129,568,471	872,506	19,860,634	18,058,016	44,906,244	213,265,871
Excess of revenues over (under) expenditures	97,057,456	(320,974)	(19,455,044)	(17,804,447)	(1,603,427)	57,873,564
Other financing sources (uses):						
Transfers in	75,000	-	18,842,507	10,894,522	2,473,169	32,285,198
Transfers in from component unit		633,755				633,755
Transfers out	(36,630,849)	(1,470,497)		(383,606)	(1,014,013)	(39,498,965)
Transfers out to component units	(54,728,230)	(195,040)	-	(2,828,387)	-	(57,751,657)
Net other financing sources (uses)	(91,284,079)	(1,031,782)	18,842,507	7,682,529	1,459,156	(64,331,669)
Net change in fund balances	5,773,377	(1,352,756)	(612,537)	(10,121,918)	(144,271)	(6,458,105)
Fund balances, beginning of year	38,751,509	7,181,171	12,811,195	32,366,738	4,601,116	95,711,729
Fund balances, end of year	\$ 44,524,886	\$ 5,828,415	\$ 12,198,658	\$ 22,244,820	\$ 4,456,845	\$ 89,253,624

Net change in fund balances - total governmental funds	\$ (6,458,105)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
This is the amount by which new capital assets exceeded capital expenditures in the period. (Note 6)	6,266,103
In the statement of activities, the loss on disposal of capital assets is reported. However in the governmental funds, only the proceeds from sale increase financial resources. The change in net assets differs from the change in fund balance by the net book value of the capital assets disposed.	
Cost of capital assets disposed	(1,058,718)
Accumulated depreciation on capital assets disposed	451,190
Revenues earned during the period that are not yet available are reported in the Statement of Activities, but not reported as revenues in the funds.	(662,555)
Proceeds from bond issuance and capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Debt issuance	327,069
Repayment of debt principal	11,739,565
Repayment of interfund loans related to real property.	321,464
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service fund is reported with governmental activities.	2,644,716
Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest	246,039
Amortization of premiums	98,386
Change in net assets of governmental activities	<u>\$ 13,915,154</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND
Fiscal Year Ended June 30, 2004

Exhibit A-5

	General Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Intergovernmental:				
State funds	\$ 24,178,810	\$ 24,178,810	\$ 23,541,910	\$ (636,900)
Federal funds (includes pass through)	9,436,814	9,486,814	10,472,975	986,161
Local taxes	169,415,245	169,415,245	174,692,623	5,277,378
Licenses and permits	1,761,507	1,761,507	1,662,130	(99,377)
Fines and forfeitures	1,262,814	1,262,814	1,637,574	374,760
Revenue from use of money and property	1,291,185	1,291,185	598,189	(692,996)
Charges for services	2,934,111	2,934,111	2,862,553	(71,558)
Recovered costs	7,875,618	7,875,618	9,091,750	1,216,132
Miscellaneous	2,138,725	2,138,725	2,066,223	(72,502)
Total revenues	220,294,829	220,344,829	226,625,927	6,281,098
Expenditures:				
Current:				
General government	64,366,467	64,952,929	57,899,935	(7,052,994)
Public safety	32,409,949	34,169,515	33,684,129	(485,386)
Highways and streets	2,297,785	2,267,160	2,210,670	(56,490)
Health	2,950,112	3,151,741	3,060,568	(91,173)
Social services	17,912,289	19,825,317	19,148,614	(676,703)
Culture and recreation	10,608,099	11,991,737	11,417,932	(573,805)
Education	2,086,971	2,226,913	2,146,623	(80,290)
Total expenditures	132,631,672	138,585,312	129,568,471	(9,016,841)
Excess of revenues over (under) expenditures	87,663,157	81,759,517	97,057,456	15,297,939
Other financing sources (uses):				
Transfers from (to) component units	(54,361,669)	(54,799,091)	(54,728,230)	(70,861)
Transfers in	-	-	75,000	75,000
Transfers out	(34,852,488)	(43,072,968)	(36,630,849)	(6,442,119)
Total other financing sources (uses)	(89,214,157)	(97,872,059)	(91,284,079)	(6,587,980)
Excess of revenues and other sources over (under) expenditures and other uses	(1,551,000)	(16,112,542)	5,773,377	\$ 21,885,919
Appropriations from fund balance	1,551,000	17,614,378		
Appropriations - encumbrances	-	(1,501,836)		
Budget - excess of revenues and appropriations from fund balance over (under) expenditures				
Fund balance - July 1	-	-	38,751,509	
Fund balance - June 30	\$ -	\$ -	\$ 44,524,886	

The accompanying notes are an integral part of the financial statements.

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**CITY OF HAMPTON, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004**

Exhibit A-6

ASSETS	Business-Type Activities - Enterprise Funds						Governmental Activities	
	Convention Center	The Hamptons	Museum	Wastewater Management	HRHA	Other Proprietary Funds	Totals	Internal Service Funds
Current assets:								
Cash and cash equivalents	\$ -	\$ 900	\$ 2,834	\$ 1,085,562	\$ 2,539,658	\$ 6,462,976	\$ 10,091,930	\$ 14,322,512
Investments					8,366,560		8,366,560	
Restricted assets to be used to liquidate current liabilities								
Cash with fiscal agent	95,204		555,916				651,120	37,529
Revenue Bond indenture:								
Cash and cash equivalents	120,674						120,674	
Other:								
Investments	6,477,195						6,477,195	
Accounts receivable			35,398	777,944	390,140	1,213,365	2,416,847	171,697
Notes and mortgage receivable				36,687	140,176		176,863	
Due from other funds	343,558	321	58,515	42,324	457,685	87,973	990,376	3,747,290
Due from component units						10,971	10,971	99,292
Due from other governments								
Inventories		20,654	124,720	65,190	41,338	58,237	310,139	97,746
Prepaid expense	-	-	-	-	93,304	-	93,304	-
Total current assets	<u>7,036,631</u>	<u>21,875</u>	<u>777,383</u>	<u>2,007,707</u>	<u>12,028,861</u>	<u>7,833,522</u>	<u>29,705,979</u>	<u>18,476,066</u>
Restricted assets:								
Revenue Bond indenture:								
Cash and cash equivalents		524,220	2,131,011				2,655,231	
Accounts receivable								
Investments	1,638,499						1,638,499	
Other:								
Cash and cash equivalents	6,228,526		114,284				6,342,810	
Investments	<u>49,023,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,623,263</u>	<u>-</u>	<u>52,646,454</u>	<u>-</u>
Total restricted assets	<u>56,890,216</u>	<u>524,220</u>	<u>2,245,295</u>	<u>-</u>	<u>3,623,263</u>	<u>-</u>	<u>63,282,994</u>	<u>-</u>
Notes and mortgage receivable	-	-	-	-	107,160	-	107,160	-
Deferred charges	<u>2,492,045</u>	<u>38,364</u>	<u>165,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,696,008</u>	<u>-</u>
Capital assets:								
Land and improvements	5,329,548	3,710,566	1,921,420	145,615	4,035,404	7,270,791	22,413,344	
Buildings and improvements		2,342,593	26,452,070	1,553,150	33,876,003	13,723,738	77,947,554	
Improvements other than buildings		9,316	6,800			2,231,727	2,247,843	13,800,656
Equipment	10,219	833,638	3,523,442	2,976,875	2,195,860	10,119,762	19,659,796	26,821,290
Construction in progress	58,454,934		61,482	637,588		311,702	59,465,706	378,489
Exhibits			10,656,275				10,656,275	
Infrastructure				53,270,638			53,270,638	
Less accumulated depreciation	<u>(306)</u>	<u>(4,328,196)</u>	<u>(17,613,399)</u>	<u>(21,118,165)</u>	<u>(12,088,774)</u>	<u>(21,476,802)</u>	<u>(76,625,642)</u>	<u>(29,366,211)</u>
Net capital assets	<u>63,794,395</u>	<u>2,567,917</u>	<u>25,008,090</u>	<u>37,465,701</u>	<u>28,018,493</u>	<u>12,180,918</u>	<u>169,035,514</u>	<u>11,634,224</u>
Total assets	<u>\$ 130,213,287</u>	<u>\$ 3,152,376</u>	<u>\$ 28,196,367</u>	<u>\$ 39,473,408</u>	<u>\$ 43,777,777</u>	<u>\$ 20,014,440</u>	<u>\$ 264,827,655</u>	<u>\$ 30,110,290</u>

LIABILITIES								
Current liabilities:								
Accounts payable	\$ -	\$ 4,782	\$ -	\$ 198,564	\$ 429,250	\$ 641,743	\$ 1,274,339	\$ 805,371
Accrued interest payable		11,275	168,411				179,686	54,182
Accrued leave	1,481	18,179		116,701	511,676	267,083	915,120	222,507
Due to other funds		2,156,298	769,000	69,389	457,685	765,144	4,217,516	79,121
Due to other governments					502,641		502,641	
Deferred revenue					2,719,964	38,689	2,758,653	
Current portion of long-term debt	144,850	291,329	1,229,051		82,189	125,436	1,872,855	689,420
Current liabilities payable from restricted assets								
Accounts payable	3,858,342		555,916				4,414,258	
Accrued interest payable	2,680,216						2,680,216	
Due to other funds	6,573						6,573	
Interfund loans payable					73,648		73,648	
Other liabilities	<u>1,611</u>	<u>14,634</u>	<u>-</u>	<u>-</u>	<u>197,308</u>	<u>65,799</u>	<u>279,352</u>	<u>38,280</u>
Total current liabilities	6,693,073	2,496,497	2,722,378	384,654	4,974,361	1,903,894	19,174,857	1,888,881
Bonds payable	108,824,192	1,986,549	10,554,617				121,365,358	
Notes payable					998,776	93,000	1,091,776	2,671,044
Obligations under capital leases	<u>-</u>	<u>1,413,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,867</u>	<u>1,497,305</u>	<u>-</u>
Total liabilities	<u>115,517,265</u>	<u>5,896,484</u>	<u>13,276,995</u>	<u>384,654</u>	<u>5,973,137</u>	<u>2,080,761</u>	<u>143,129,296</u>	<u>4,559,925</u>
NET ASSETS								
Invested in capital assets, net of related debt	5,329,242	(1,123,399)	13,224,422	37,465,701	26,937,528	11,878,615	93,712,109	9,376,936
Restricted	9,366,780	524,220	2,245,295	456,419	3,623,263		16,215,977	
Unrestricted	<u>-</u>	<u>(2,144,929)</u>	<u>(550,345)</u>	<u>1,166,634</u>	<u>7,243,849</u>	<u>6,055,064</u>	<u>11,770,273</u>	<u>16,173,429</u>
Total net assets	<u>14,696,022</u>	<u>(2,744,108)</u>	<u>14,919,372</u>	<u>39,088,754</u>	<u>37,804,640</u>	<u>17,933,679</u>	<u>121,698,359</u>	<u>25,550,365</u>
Total liabilities and net assets	<u>\$ 130,213,287</u>	<u>\$ 3,152,376</u>	<u>\$ 28,196,367</u>	<u>\$ 39,473,408</u>	<u>\$ 43,777,777</u>	<u>\$ 20,014,440</u>	<u>\$ 264,827,655</u>	<u>\$ 30,110,290</u>
Net assets of enterprise funds							\$ 121,698,359	
Amounts reported for business-type activities in the Statement of Net Assets are different because:								
Net revenue of internal service funds are allocated to funds receiving services							318,810	
Interfund reimbursement for allocated overhead costs							<u>1,762,923</u>	
Net assets business-type activities							<u>\$ 123,780,092</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2004

Exhibit A-7

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Convention Center	The Hamptons	Museum	Wastewater Management	HRHA	Other Proprietary Funds	Internal Service Funds
Operating revenues:							
Charges for services	\$ -	\$ 747,017	\$ 2,264,748	\$ 5,312,865	\$ 1,934,262	\$ 17,326,651	\$ 27,585,543
Federal revenues			549,337		18,559,947		19,109,284
Other	-	-	6,094,860	-	1,037,896	-	7,132,756
Total operating revenues	-	747,017	8,908,945	5,312,865	21,532,105	17,326,651	53,827,583
Operating expenses:							
Personal services	43,363	361,145	1,205,891	2,014,362	1,622,794	3,612,045	8,859,600
Fringe benefits	4,505	81,099	320,553	530,532	382,419	994,075	2,313,183
Promoters' fees						3,679,339	3,679,339
City-sponsored events						780,762	780,762
Cost of goods sold		41,842	152,972	123,036		209,467	527,317
Utilities		42,961	271,871	127,974	726,794	288,753	1,458,353
Insurance		15,906	56,622	39,750	147,680	257,420	517,378
Operating supplies	12,187	116,458	2,251,682	515,454		565,738	3,461,519
Equipment rental	4,298	222,568	276,283	502		49,313	552,964
Equipment and building repairs		70,353	106,347	492,814	1,137,340	1,020,918	2,827,772
Telephone and postage	1,577	5,695	51,729	19,730		43,897	122,628
Amusement tax						580,818	580,818
General expense	13,021	3,247		36,526	2,993,961	284,632	3,331,387
Claims							138,254
Landfill costs						3,418,214	1,923,079
Contractual services	988	33,697	442,441	156,712		584,761	578,236
Indirect cost				456,000		476,470	1,218,597
Housing assistance payments					14,142,332		932,470
Depreciation and amortization	135,805	315,771	1,190,833	1,064,799	962,609	1,422,878	14,142,332
Total operating expenses	215,742	1,310,742	6,327,224	5,578,191	22,115,929	18,269,500	50,922,695
Operating income (loss)	(215,742)	(563,725)	2,581,721	(265,326)	(583,824)	(942,849)	1,872,557
Nonoperating revenues (expenses):							
Interest income	53,381	14,235	275,613	4,342	134,287		481,858
Interest and fiscal charges		(291,936)	(519,797)	(1,206)	(34,161)	(7,591)	(854,691)
Other				25,513		43,132	68,645
Gain (loss) on sale of capital assets				(23,780)	1,271,732		(222,091)
Net increase (decrease) in fair value of investments	(98,500)	-	(2,169)	-	-	-	68,645
Net nonoperating revenues (expenses)	(43,119)	(277,701)	(246,353)	4,869	1,371,858	35,541	(3,859)
Income (loss) before transfers and capital contributions	(258,861)	(841,426)	2,335,368	(260,457)	788,034	(907,308)	845,095
Capital contributions		74,949		1,103,942	588,777	300,737	(103,846)
Transfers in (out)	4,147,355	455,000	1,741,413	-	-	870,000	2,131,929
Change in net assets	3,888,494	(311,477)	4,076,781	843,485	1,376,811	263,429	710,149
Net assets, beginning of year	10,807,528	(2,432,631)	10,842,591	38,245,269	36,427,829	17,670,250	111,560,836
Net assets, end of year	\$14,696,022	\$ (2,744,108)	\$14,919,372	\$39,088,754	\$37,804,640	\$ 17,933,679	\$121,698,359
Change in net assets - total enterprise funds							\$ 10,137,523
Amounts reported for business-type activities in the Statement of Activities are different because:							
Internal service funds are used by management to charge the costs of certain activities to individual funds.							197,361
The net revenue of the internal service fund is reported with governmental activities.							932,470
Interfund reimbursement for allocated overhead costs							\$ 11,267,354
Change in net assets of business-type activities							

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2004**

Exhibit A-8

	Business-Type Activities - Enterprise Funds							Governmental Activities
	Convention Center	The Hamptons	Museum	Wastewater Management	HRHA	Other Proprietary Funds	Totals	Internal Service Funds
Cash flows from operating activities:								
Cash received from customers	\$ 48,767	\$ 746,696	\$ 8,980,602	\$ 5,279,217	\$ 2,037,148	\$ 17,162,171	\$ 34,254,601	\$ 16,033,473
Grants received					18,322,031		18,322,031	
Cash payments to suppliers for goods and services	(20,164)	(634,344)	(3,755,748)	(2,373,559)	(1,697,253)	(13,210,170)	(21,691,238)	(9,730,672)
Cash payments to employees for services	(44,776)	(44,962)	(1,187,310)	(1,978,187)	(2,492,316)	(3,434,764)	(9,182,315)	(4,000,995)
Other receipts (payments)	-	-	-	25,513	(18,690,452)	-	(18,664,939)	-
Net cash provided by (used in) operating activities	(16,173)	67,390	4,037,544	952,984	(2,520,842)	517,237	3,038,140	2,301,806
Cash flows from noncapital financing activities:								
Transfers in from other funds	3,650,370	455,000	1,690,437			1,000,000	6,795,807	25,729
Cash paid to other funds	-	-	(301,915)	-	-	(130,000)	(431,915)	-
Net cash provided by (used in) noncapital financing activities	3,650,370	455,000	1,388,522	-	-	870,000	6,363,892	25,729
Cash flows from capital and related financing activities:								
Acquisition and construction of capital assets	(42,435,190)		(4,295,255)	(610,047)	(1,038,707)	(135,647)	(48,514,846)	(4,126,419)
Principal paid on revenue bond maturities and long-term debt		(278,107)	(1,390,000)	(22,612)	(84,788)	(128,521)	(1,904,028)	(287,739)
Interest paid on revenue bonds and long-term debt	(1,101,866)	(291,936)	(750,517)	(1,206)	(34,161)	(7,591)	(2,187,277)	(223,879)
Proceeds from issuance of revenue bonds and long-term debt	(145,157)						(145,157)	1,487,875
Capital grants				885	588,777		589,662	682,233
Proceeds from sale of capital assets	-	-	-	-	1,264,329	-	1,264,329	(6,157)
Net cash provided by (used in) capital and related financing activities	(43,682,213)	(570,043)	(6,435,772)	(632,980)	695,450	(271,759)	(50,897,317)	(2,474,086)
Cash flows from investing activities:								
Purchase of investment securities	(3,826,432)		(140,431)				(3,966,863)	
Sale of investment securities	43,940,029		1,873,262		1,371,359		47,184,650	
Interest and dividends on investments	53,381	14,233	87,555	4,342	134,287		293,798	124,157
Proceeds from collection of loans								
Interest received on lease receivable	-	-	-	-	-	-	-	-
Net cash provided by (used in) investing activities	40,166,978	14,233	1,820,386	4,342	1,505,646	-	43,511,585	124,157
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	118,962	(33,420)	810,680	324,346	(319,746)	1,115,478	2,016,300	(22,394)
Cash and cash equivalents (including restricted), July 1	1,712	558,540	1,993,365	761,216	2,859,404	5,347,498	11,521,735	14,382,435
Cash and cash equivalents (including restricted), June 30	\$ 120,674	\$ 525,120	\$ 2,804,045	\$ 1,085,562	\$ 2,539,658	\$ 6,462,976	\$ 13,538,035	\$ 14,360,041

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Convention Center	The Hamptons	Museum	Wastewater Management	HRHA	Other Proprietary Funds	Internal Service Funds
Operating income (loss)	\$ (215,742)	\$ (563,725)	\$ 2,581,721	\$ (265,326)	\$ (583,824)	\$ (942,849)	\$ 10,255
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization expense	135,805	315,771	1,190,833	1,064,799	962,609	1,422,878	5,092,695
Decrease (increase) in:							
Accounts receivable			71,657	(52,511)	(145,778)	(35,709)	(162,341)
Notes receivable				18,862	(107,160)		(88,298)
Due from other funds	(343,558)	(321)		(42,324)	1,077,566	(23,260)	668,103
Due from component units						(10,971)	(10,971)
Inventories		4,166	9,295	21,630	459	9,550	45,100
Prepaid expenses and other assets					(3,551,485)		(3,551,485)
Increase (decrease) in:							
Accounts payable	2,058,393	(8,883)		110,975	(39,041)	(118,438)	2,003,006
Accrued leave	1,481	1,918		36,175	286,681	19,030	345,285
Due to other funds	(153,427)	315,265	(301,915)	35,191	(1,077,566)	290,860	(891,592)
Due to other governments					356,151		356,151
Other liabilities	48,767	3,199			300,546	13,490	366,002
Deferred revenue						(150,476)	(150,476)
Current liabilities payable from restricted assets			184,038				184,038
Due to/from other funds reported as nonoperating activities	343,558		301,915				645,473
Accounts receivable reported as nonoperating activities	153,427						153,427
Accounts payable reported as nonoperating activities	(2,044,877)						(2,044,877)
Long-term accrued insurance claims reported as operating activity							
Nonoperating revenues reported as operating revenues	-	-	-	25,513	-	43,132	68,645
Total adjustments	199,569	631,115	1,455,823	1,218,310	(1,937,018)	1,460,086	3,027,885
Net cash provided by (used in) operating activities	\$ (16,173)	\$ 67,390	\$ 4,037,544	\$ 952,984	\$ (2,520,842)	\$ 517,237	\$ 3,038,140
Non-cash transactions affecting investing capital and related financing activities:							
Acquisition of fixed assets through capital contributions	\$ -	\$ 74,949	\$ -	\$ 1,103,942	\$ 588,777	\$ 300,737	\$ 2,068,405
Net increase (decrease) in fair value of investments	(96,500)	-	(2,169)	-	-	-	(98,669)
Total non-cash transactions	\$ (96,500)	\$ 74,949	\$ (2,169)	\$ 1,103,942	\$ 588,777	\$ 300,737	\$ 1,969,736

The accompanying notes are an integral part of the financial statements.

CITY OF HAMPTON, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2004

Exhibit A-9

	Pension Trust Fund Employees' Retirement System	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 5,332,985	\$ 382,562
Investments:		
Bonds	61,482,208	
Common stock	95,818,503	
Guaranteed investment contracts	733,933	
Receivables:		
Accrued interest	998,091	
Dividends	74,084	
Accounts	9,170	-
Total assets	<u>164,448,974</u>	<u>\$ 382,562</u>
LIABILITIES		
Deposits		\$ 329,006
Accounts payable	508,402	35,750
Accrued payroll	7,085	
Due to other funds	292	17,806
Total liabilities	<u>515,779</u>	<u>\$ 382,562</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 163,933,195</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF HAMPTON, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Fiscal Year Ended June 30, 2004

Exhibit A-10

	Pension Trust Fund Employees' Retirement System
ADDITIONS	
Investment income:	
Net appreciation in fair value of investments	\$ 11,991,399
Interest	4,118,094
Dividends	1,037,681
Other	64,090
Total investment earnings	17,211,264
Less investment expenses	(638,942)
Net investment earnings	16,572,322
Total additions	16,572,322
DEDUCTIONS	
Benefits	12,525,784
Administrative expenses	214,770
Total deductions	12,740,554
Change in net assets	3,831,768
Net assets, July 1	160,101,427
Net assets, June 30	\$ 163,933,195

The accompanying notes are an integral part of the financial statements.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Hampton, Virginia (the "City"), was incorporated on March 30, 1908. Its boundaries were extended on July 1, 1952 through the annexation of Elizabeth City County and the Town of Phoebus. The City has operated under its current charter since December 16, 1952. Hampton is a full-service City of 144,400 people. It is comprised of 72 square miles situated at the southeastern tip of the lower Peninsula of Virginia.

The City operates under the Council-Manager form of government. The City's legislative power is vested in the elected seven-member City Council. City Council appoints the City Manager who is the Chief Executive and Administrative Officer of the City.

The following is a summary of the significant accounting policies.

Reporting Entity

The accompanying financial statements conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB).

The City follows GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). As a result of adopting GASB No. 34, the Comprehensive Annual Financial Report includes:

Management's Discussion and Analysis (MD&A)

MD&A is a narrative introduction and analytical overview of the City's financial activities similar to the analysis provided by publicly traded companies in their annual reports.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENT, Continued
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Government-wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructures, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

The basic financial statements are composed of both government-wide and fund financial statements. The government-wide statements, the Statement of Net Assets and the Statement of Activities, report information on all of the nonfiduciary activities of the City and its component units. As a general rule the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely primarily on fees and charges for services. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds: the General Fund, the Economic Development Special Revenue Fund, the Debt Service Fund and the Capital Projects Fund. Major enterprise funds are: the Convention Center Fund, The Hamptons Fund, the Virginia Air and Space Center Museum Fund, the Wastewater Management Fund and the Hampton Redevelopment and Housing Authority Fund (blended component unit).

Statement of Net Assets

The Statement of Net Assets is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense in the Statement of Activities. The net assets of a government will be displayed in three categories – invested in capital assets net of related debt, restricted and unrestricted.

Statement of Activities

The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of the individual functions is compared to the revenues directly generated by the function through user fees or intergovernmental grants.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included in program revenues are classified as general revenues.

Budgetary Comparison Schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budget and have a keen interest in following the actual financial progress of their governments over the course of the year. The City revises its original budget over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget to actual results.

As required by GAAP, these statements present the funds, organizations, activities and functions of the City of Hampton, Virginia (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationship with the City, as defined in GASB No. 14, *The Reporting Entity*, and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENT, Continued
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Individual Component Unit Disclosures

Hampton Redevelopment and Housing Authority

The Hampton Redevelopment and Housing Authority (HRHA) is a legally separate public corporation, which is established under the laws of the Commonwealth of Virginia to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development.

HRHA's fiscal year of January 1 to December 31 differs from the City's fiscal year of July 1 to June 30. The Authority is included as a part of the primary government because HRHA's seven-member governing board is substantially the same as Hampton's City Council. HRHA is required to make annual payments in lieu of taxes to the City. The City is not fiscally responsible for HRHA's operating funds or debt.

A copy of the separately issued financial statements for HRHA may be obtained by writing to HRHA, 22 Lincoln Street, Hampton, Virginia 23669 or by calling (757) 727-6337.

Discretely Presented Component Units

The component unit columns in the combined financial statements include the financial data of the City's other component units. They are reported as a separate column to emphasize that they are legally separate units.

Hampton City School Board

The Hampton City School Board (School Board) oversees the operations of and establishes educational policies for the City's public school system. School Board members are elected by the voters of the City of Hampton, Virginia. The School Board has no power to levy taxes or issue bonds. Its budget is subject to approval by the City Council; however, Council only approves, rejects, or modifies the single amount requested by the School Board. City Council does not have the authority to modify individual line items of the School Board's budget. The School Board has complete discretionary authority to expend the amount appropriated by the City.

Hampton Industrial Development Authority

The Hampton Industrial Development Authority (IDA) is a legally separate public corporation established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, together with ordinances adopted by the City Council. The IDA was established to promote and develop trade within the City by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City. The IDA is included in the City's reporting entity because the City is able to impose its will on the IDA by appointment of the governing body. In addition, the City Council funds IDA's operating budget and receives all revenues derived from IDA land sales. Therefore, the IDA is financially dependent on the City.

Healthy Families Partnership, Inc.

The Healthy Families Partnership, Inc. (HFP) is a legally separate non-stock corporation that provides programs and services that benefit families, children and youth of the City. Programs offered by the Association support goals which include promoting optimal child development and preventive care during early childhood; enhancing parenting skills; improving family functioning by teaching problem solving skills, building trusting relationships and improving family support systems; and reducing undesirable health outcomes such as poor immunization rates, child abuse and neglect and repeat teenage pregnancies. The Association derives financial support from the City in the form of in-kind services. HFP is included in the City's reporting entity because the resources of HFP are for the direct benefit of the City's constituents. A copy of the separately issued financial statements for HFP may be obtained by writing to HFP, 100 Old Hampton Lane, Hampton, Virginia 23669 or by calling (757) 727-1882.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Coliseum Central Business Improvement District, Inc.

The Coliseum Central Business Improvement District, Inc. (Coliseum BID) was incorporated on January 22, 1996, to promote, develop and market the Coliseum Central Business District (District) within the City. The District was created by action of the City Council under provisions of the *Code of Virginia*. An additional tax is assessed on the commercial real estate in the District to provide funds for the economic development of the District. The City Council approved the renewal of the Association through June 2006. Coliseum BID is included in the City's reporting entity because the resources of Coliseum BID are for the direct benefit of the City's constituents. A copy of the separately issued financial statements for Coliseum BID may be obtained by writing to Coliseum BID, 2021 Cunningham Drive, Suite 101, Hampton, Virginia 23666 or by calling (757) 826-6351.

Downtown Hampton Development Partnership, Inc.

The Downtown Hampton Development Partnership, Inc. (Downtown Hampton) was incorporated on August 15, 1995, to promote, develop, and market the Downtown Hampton Business Improvement District (District). The District was created by action of the City Council under provisions of the *Code of Virginia*. The City assesses an additional tax on the value of the commercial real estate in the District to provide funds for the economic development of the District. The City Council approved the renewal of the Association through June 2006. Downtown Hampton is included in the City's reporting entity because the resources of Downtown Hampton are for the direct benefit of the City's constituents. A copy of the separately issued financial statements for Downtown Hampton may be obtained by writing to Downtown Hampton, 756 Settlers Landing Road, Hampton, Virginia 23669 or by calling (757) 727-1271.

Foundation of the Virginia Air and Space Center and the Hampton Roads History Center

The Foundation of the Virginia Air and Space Center and the Hampton Roads History Center (Foundation) was formed in 1992 after construction of the Virginia Air and Space Center. The Foundation exists to carry out the charitable, educational, literary, and scientific purposes of the Center. The Foundation is included in the City's reporting entity because the resources of the Foundation are significant to the City. A copy of the separately issued financial statements for the Foundation may be obtained by writing to the Foundation, 600 Settlers Landing Road, Hampton, Virginia 23669 or by calling (757) 727-0900.

Other Related Organizations

The financial statements of the following public organizations, commissions, authorities and boards are not included in the reporting entity. The organizations are political subdivisions created under the laws of the Commonwealth of Virginia. Their governing boards are appointed, at least in part, by the City. The City's responsibility in most instances is limited to pro rata representation through appointments to the governing boards. The individual governing boards of the organizations appoint management, establish budgetary control and are accountable for their own fiscal affairs including deficits, debt service, operating costs, etc. The City is not able to impose its will on the organizations and the organizations neither provide a financial benefit nor pose a financial burden on the City.

Peninsula Airport Commission

The Peninsula Airport Commission (PAC) operates the Newport News/Williamsburg International Airport. Board membership is allocated among and appointed by the various localities. The PAC's operating and capital expenditures, including debt service, are financed by its operations and contributions from the participating localities. The City has no budgetary authority, is not responsible for deficits or debt service and cannot set rates for services or uses of the airport facilities.

Other

Certain other agencies and commissions service the City of Hampton and surrounding localities. Board membership is allocated among and appointed by the various localities. These agencies include: Hampton Roads Transit (HRT), Hampton Roads Planning District Commission (HRPDC), Virginia Peninsulas Public Service Authority (VPPSA) and the Peninsula Alliance for Economic Development (PAED). Expenditures of these agencies are financed by federal and state grants, fees, and contributions. During the year ended June 30, 2004, the City provided operating and capital support of \$1,603,976 to HRT, \$121,994 to HRPDC, \$8,500 to VPPSA, and \$310,500 to PAED.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Jointly Governed Organizations

Hampton-Newport News Community Services Board

The Hampton-Newport News Community Services Board (CSB) operates as an agent for the Cities of Hampton and Newport News in the establishment and operation of community mental health, mental retardation and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the *Code of Virginia*, relating to the Virginia Department of Mental Health and Mental Retardation. The CSB designates its own management and adopts its own budget. The operations are financed principally by state and federal funds. The City provided operating support of \$1,265,394 to CSB during fiscal year 2004.

Basis of Accounting

The basis of accounting applied to a fund and discretely presented component units is determined by the measurement focus. Basis of accounting refers to when revenues, expenditures and expenses, transfers and the related assets and liabilities are recognized in the accounts and reported in the financial statements.

All Governmental Funds, Permanent Fund and Discretely Presented Component Unit - School Board are accounted for using the current financial resources measurement focus. This means that generally only current assets and current liabilities are reflected on their balance sheets. Their operating statements present increases (revenues and other financing resources) and decreases (expenditures and other financing uses) in net current assets.

The government-wide financial statements, all Proprietary Funds, the Pension Trust Fund, and Discretely Presented Component Units – IDA, Coliseum Central Business Improvement District, Inc., Downtown Hampton Development Partnership, Inc., Healthy Families Partnership, Inc., and Foundation of the Virginia Air and Space Center and the Hampton Roads History Center are accounted for using the economic resources measurement focus. This measurement focus is the same as that used by commercial enterprises. All assets and liabilities associated with the activity are included on their balance sheets. Their operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Permanent Fund and Discretely Presented Component Unit - School Board.

Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance operations of the current year. Revenues considered susceptible to accrual consist primarily of property taxes, certain grants and sales and utility taxes. Accordingly, real and personal property taxes are recorded as revenue when levied and billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as deferred revenue. Revenues from federal, state, and other grants, the purpose of which is to fund specific City expenditures, are recorded at the time of receipt of notification of the grant. For financial statement purposes such amounts are reduced by the unexpended authorizations, resulting in revenues being recognized only at the time of the related expenditures. Revenues from general-purpose grants are recognized in the period to which the grant applies. The sales and utility taxes are collected by the State or utilities and subsequently remitted to the City and are recognized as receivables and revenue upon collection by the State or utility, which is generally in the month preceding receipt by the City. Licenses, permits, fines and rents are recorded as revenue when received.

Expenditures, other than interest and principal on long-term debt, are recorded as the related liabilities are incurred, if measurable. Interest and principal on long-term debt are recognized when due. The accrued portion of vested sick and annual leave has been recorded on the government-wide statements.

The accrual basis of accounting is followed in the government-wide financial statements, the Internal Service Funds, Enterprise Funds, the Pension Trust Fund, Agency Funds and Discretely Presented Component Unit - IDA. Under this method of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Generally operating revenues and expenses result from providing services and producing and delivering goods in connection with the proprietary fund's principal operations.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Budgets and Budgetary Accounting

The City's procedures for establishing the budgetary data reflected in the financial statements for the General Fund and School Operating Fund are as follows:

1. Prior to April 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to June 1, the budget is legally enacted through passage of an ordinance.
4. The City Manager or his designee is authorized to transfer budgeted amounts within departments within the General Fund. Revisions that alter the total appropriations for a department must be approved by City Council. Therefore, the level of control at which expenditures may not exceed appropriations is the total expenditure level of each department. Transfers within the School Operating Fund are under the control of the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and School Operating Fund.
6. Budgets for the General and School Operating Funds are legally adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts are as originally adopted or as amended by City Council and the School Board during fiscal 2004. Unencumbered appropriations lapse at year-end in the General and School Operating Funds. Appropriations which are encumbered at year-end are carried forward into the following year's appropriation to allow liquidation of the encumbrances.

An annual budget is not adopted for the Debt Service Fund because effective control is alternatively achieved through general obligation bond indenture provisions. Annual budgets are not employed for Special Revenue Funds and Capital Projects Fund because each program grant or capital project is approved separately.

General Property Tax Calendar

Real property is assessed at fair market value as of July 1 of each year; personal property and public service corporation properties (real and personal) are assessed as of January 1 of each year. Taxes are levied on a fiscal-year basis for real property and a calendar-year basis for personal property. Taxes are due and payable in two equal installments on June 5 and December 5. The City Treasurer mails tax bills to the taxpayers on May 5 for tax payments due June 5 and on November 5 for tax payments due December 5.

Penalties are assessed at 10% of the tax due for real estate and personal property on installments which are not paid by the due date. Interest at 10% per year for real and personal property is charged on installments unpaid. A lien is recorded on all real property for which delinquent real estate taxes are not paid within three years.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and School Operating Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Investments

Investments of the Hampton Employees' Retirement System are stated at fair value, except for the guaranteed insurance company contract, which is stated at amortized cost. Investments of the Debt Service Fund consist of U.S. Treasury Bonds and are stated at fair value. All other investments are generally stated at fair value, except for short-term cash equivalents, which are stated at cost.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued:

Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$2,664,448. Management has determined that the allowance is sufficient to provide for any losses that may be sustained on realization of the accounts receivable.

Inventories

The inventories reflected in the Enterprise Funds and School Funds consist principally of food items and items held for resale and are valued at cost (first-in, first-out). The Hampton Redevelopment and Housing Authority Fund's inventory consists of consumable supplies valued at cost. The General Fund's inventory consists of consumable supplies valued at cost (first-in, first-out). The Internal Service Funds' inventories consist principally of expendable items held for consumption and are valued by the average-cost method. Inventories are recognized as expenditures when consumed or sold.

Land Held for Resale

Land held for resale by the Industrial Development Authority is stated at cost or, if donated, at fair market value as of the date received. Development costs of the IDA are added to the cost of the land when incurred. Total land and development costs are allocated to total saleable acreage under development and are charged to expenses on a prorated basis when the land is sold.

Interfund Activity

Activity between funds that represents lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (current portion) or "advances to/from other funds" (non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Restricted Assets

Restricted assets represent the following invested assets set aside in Convention Center, The Hamptons (Golf Course) and Virginia Air and Space Center (the Museum) Enterprise Funds, HRHA, and discretely presented component unit – IDA.

	<u>Convention Center</u>	<u>The Hamptons</u>	<u>Museum</u>	<u>HRHA</u>	<u>Total Enterprise Funds</u>	<u>Component Unit - IDA</u>	<u>Component Unit Foundation</u>
Restricted Assets							
Cash:							
Operating and Maintenance Account	\$	\$ 3,547	\$ 114,284	\$	\$ 117,831	\$	\$
Operating Reserve Fund	95,204				95,204		
Bond Fund	120,674	212,152	1,333,715		1,666,541		
Debt Service Reserve Fund	6,228,526	308,521	1,353,212		7,890,259	872,938	
Bass Pro Incentive Fund						97,705	
Accounts Receivable							1,295,787
Investments:							
Operating Reserve Fund	10,634,052				10,634,052		
Bond Fund	44,866,334				44,866,334		
Debt Service Reserve Fund	1,638,499				1,638,499	174,777	
Business Activities				3,415,385	3,415,385		
Local Government Programs				44,913	44,913		
Section 8				162,965	162,965		
	<u>\$ 63,583,289</u>	<u>\$ 524,220</u>	<u>\$ 2,801,211</u>	<u>\$ 3,623,263</u>	<u>\$ 70,531,983</u>	<u>\$ 1,145,420</u>	<u>\$ 1,295,787</u>

The assets for Convention Center, The Hamptons, Museum and IDA are classified as restricted since their use is limited by the Bond Trust Indenture.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

General Capital Assets

Capital outlays in the General, Special Revenue and Capital Projects Funds are recorded as expenditures and capitalized (recorded and accounted for) in the government-wide financial statements to the extent the City's capitalization threshold is met. The threshold is \$2,500 for assets other than computer equipment and infrastructure. Computer equipment having a cost of \$1,000 or more is capitalized. In accordance with GASB 34, public domain ("infrastructure") assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets dedicated directly to public service, have been capitalized beginning in fiscal year 2002 to the extent such improvements met the capitalization threshold, generally \$10,000. Infrastructure assets acquired in earlier fiscal years will be capitalized in accordance with transition provisions of GASB No. 34. Depreciation is recorded on general capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	10-40 years
Improvements other than buildings	10-25 years
Equipment and vehicles	3-20 years
Infrastructure	15-75 years

All capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Historical cost of self-constructed infrastructure includes direct labor, direct materials and overhead costs allocated based on direct labor hours charged to the project. Gifts and contributions are recorded at fair market value at the time received. When governmental fund assets are sold or retired, their costs are removed from the accounts and the proceeds, if any, are reflected in revenues currently.

Enterprise Funds' and Internal Service Funds' Capital Assets

Enterprise Funds' and Internal Service Funds' property and equipment are stated at cost. Cost of self-constructed infrastructure includes direct labor, direct materials and overhead costs allocated based on direct labor hours charged to the project. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	3-40 years
Improvements other than buildings	15-50 years
Equipment and vehicles	2-20 years
Exhibits	7-10 years
Infrastructure	15-50 years

The Landfill in the Solid Waste Fund is recorded at cost and amortized by the straight-line method based on tonnage received in relation to total expected capacity.

When Enterprise Funds' and Internal Service Funds' capital assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts and the gains or losses are reflected in the statement of revenues, expenses and changes in fund net assets currently.

The City capitalizes interest costs on funds borrowed to finance the construction of capital assets in its proprietary funds. During fiscal year ended June 30, 2004, \$4,572,736 of net interest costs were capitalized in the Convention Center Fund.

The capital assets of the discretely presented component units – Coliseum Central Business Improvement District, Inc., Downtown Hampton Development Partnership, Inc., and Healthy Families Partnership, Inc., are stated at cost. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Deferred Revenue

Deferred revenue consists of the following:

Primary Government:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Funds</u>	<u>Enterprise Funds</u>
Property taxes accrued but not collected within 45 days	\$ 5,241,700	\$	\$	\$
Advance property tax collections	757,663			
Accounts receivable			250,465	
Notes receivable		2,257,288	4,150,769	
Advance ticket sales			41,322	38,689
Unearned grant funds			4,970,835	
Unearned rental income			47,940	
Unearned miscellaneous income	210,166		910	2,719,964
Total Primary Government	<u>\$ 6,209,529</u>	<u>\$ 2,257,288</u>	<u>\$ 9,462,241</u>	<u>\$ 2,758,653</u>

Discretely Presented Component Unit:

	<u>School Board</u>	<u>Downtown Hampton Development Partnership, Inc.</u>
Unearned grant funds	\$ 522,967	\$
Tuition	86,749	
Other		600
Total Discretely Presented Component Unit	<u>\$ 609,716</u>	<u>\$ 600</u>

Fund Equity

Reserves - The fund balance reserved for the employee retirement system represents net assets available to fund future plan benefits. Reserves for encumbrances represent amounts which have been contractually committed for future years. The fund balance reserved for debt service represents assets deposited in a bond sinking fund. The reserve for Courthouse maintenance represents amounts legally imposed and assessed as part of the costs incidental to criminal and traffic cases which can only be used for the construction, renovation or maintenance of the Courthouse or Jail. The reserve for Hazmat represents amounts recovered by the City pursuant to the Code of Virginia as reimbursement for costs expended by the City for certain hazardous materials and emergency clean-up activities. All funds collected shall be used for hazardous materials emergencies and to recoup costs associated with a response to a hazardous materials emergency.

Designated Fund Balances - Fund balance designations are established to indicate tentative plans for financial resource utilization in future periods. Designation of fund balance under the General Fund represents amounts appropriated by City Council for the succeeding fiscal year. Designations in the Special Revenue Funds, the Capital Projects Fund, and Component Unit - School Board represent unexpended appropriations at June 30, 2004 authorized to be expended in the next fiscal year or when the applicable projects are completed.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Concluded:

Net Assets- Enterprise Funds and Internal Service Funds

The net assets at June 30, 2004 in the Enterprise Funds are as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>
Coliseum Fund	\$ 9,519,352	\$
Golf and Tennis Center	2,597,882	
The Hamptons	(2,744,108)	
Museum	14,919,372	
Solid Waste	5,816,445	
Convention Center Fund	14,696,022	
HRHA	37,804,640	
Wastewater Management	39,088,754	
Industrial Development Authority		35,890,705
Coliseum Central Business Improvement District, Inc.		330,173
Downtown Hampton Development Partnership, Inc.		187,118
Healthy Families Partnership, Inc.		187,827
Foundation of the Virginia Air & Space Center & Hampton Roads History Center		(142,075)

The deficit in The Hamptons Fund is primarily attributable to accumulated depreciation charges on capital assets and/or current year net operating losses. Net operating losses before depreciation are usually funded in the succeeding year by operating transfers from the General Fund or by increases in user charges.

The net assets in the Internal Service Funds are as follows:

Equipment Replacement	\$ 15,350,545
Central Garage	590,929
Risk Management	5,029,084
Refuse-Steam Plant	4,107,111
Information Services	472,696

Pension Expense

The City has pension plans covering substantially all City and School employees. Pension costs are accrued using actuarially determined rates, which include current costs plus amortization of prior service costs. The City's policy is to fund pension costs accrued for all plans.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused annual and sick leave benefits, which will be utilized in future periods or will be paid to employees upon separation from City service. In governmental fund types, the cost of annual and sick benefits is recognized when payments are made to employees. The current and long-term liability for accrued annual and sick leave benefits at June 30, 2004 has been reported in the government-wide statements, representing the City's commitment to fund such costs from future operations. Proprietary fund types accrue annual and sick leave benefits in the period they are earned. Such benefits are included in accounts payable and other liabilities in the government-wide statements.

Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, proprietary fund types follow all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements issued after November 30, 1989.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

2. BASIS OF PRESENTATION - FUND ACCOUNTING:

The accompanying financial statements include all funds and component units of the City of Hampton.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise each fund's assets, liabilities, fund equity, revenues and expenditures or expenses. The following is a description of the funds included in the accompanying financial statements.

General Fund

The General Fund accounts for all revenues and expenditures of the City which are not accounted for in the other funds. Revenues are primarily derived from general property taxes, other local taxes, revenues from other governmental units and recovered costs.

A significant part of the General Fund's revenue is transferred to other funds, principally to fund the operations of the City of Hampton Public Schools and debt service requirements of the City.

Expenditures include, among other things, those for general government, public safety, highways and streets, sanitation, welfare, health and culture and recreation.

Special Revenue Funds

Special Revenue Funds account for the revenues and expenditures related to the operations of the Federal Grants Fund, the Community Development Fund, the Economic Development Fund, EXCEL Fund, Enhanced Emergency Telephone Service Fund, Stormwater Management Fund, the Pembroke Complex Fund and the Law Library Fund.

The Federal Grants Fund accounts for revenues and expenditures of all federal grants awarded to the City except the Community Development entitlement. Federal grants received by the Component Unit - School Board are included in the discretely presented component unit.

The Community Development Fund accounts for revenues and expenditures related to entitlements received by the City under the Community Development Act of 1974, administered by the U.S. Department of Housing and Urban Development.

The Economic Development Fund was established to finance the costs of capital investments, capital improvements, capital expenditures and any other approved expenditures which will assist economic development and improve the physical appearance of the City. Revenues are from unrestricted land sales, special assessments, projects financed by the fund and unrestricted rental receipts.

The EXCEL Fund (Environmental Excellence for Community Enjoyment and Livability) accounts for capital investments, capital improvements, program grants or other City Council approved expenditures which improve social, recreational or cultural opportunities for the citizens of Hampton. The fund receives 100% of the revenues generated by the City's cable franchise fees. City Council will make appropriations to the Fund from the General Fund whenever the franchise fee revenues are not sufficient to finance approved projects and activities.

The Enhanced Emergency Telephone Service Fund accounts for revenues and expenditures associated with establishing an enhanced 911 emergency telephone system. Revenues are derived from a special tax imposed and levied upon purchasers of telephone services in the City.

The Stormwater Management Fund accounts for revenues and expenditures related to maintaining the Stormwater Management System. Revenues are derived from a service charge levied on all developed property in the City.

The Pembroke Complex Fund accounts for the receipts and disbursements related to the operations of the Pembroke Community Service Center. The facility is owned by the Hampton Redevelopment and Housing Authority and maintained by the City from the rents charged to the various tenants of the building.

The Law Library Fund accounts for receipts and disbursements of funds specifically held for the purpose of purchasing law books.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

2. BASIS OF PRESENTATION - FUND ACCOUNTING, Continued:

The Hampton City School Board, a legally separate organization, is included in the financial statements as governmental fund type, discretely presented component unit.

Permanent Fund

Permanent funds are a fiduciary fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the City or its citizenry.

The Pearl I. Young Fund accounts for interest earned on principal funds and authorized disbursements of funds bequeathed to the City to purchase City bus stop shelters.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general obligation debt service of the City. Primary resources of the Debt Service Fund are derived from transfers from the General Fund and the proceeds of any refunding bond issues.

Capital Projects Fund

The Capital Projects Fund accounts for all general City and School construction projects which are financed through general obligation debt and general operating funds, with the exception of projects related to Enterprise and Internal Service Funds.

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of operating and providing services to the general public are completely or partially financed from user charges; or (b) where the governing body has determined that the periodic determination of net results of operations is appropriate for management control and accountability.

The City's Enterprise Funds account for the operations of the Hampton Coliseum, Hampton Golf and Tennis Center, The Hamptons (Golf Course), the Solid Waste Fund, the Virginia Air and Space Center (Museum), Convention Center Fund, Wastewater Management Fund, Hampton Redevelopment and Housing Authority (HRHA, blended component unit) and the Hampton Industrial Development Authority (discretely presented component unit). Revenues of the Hampton Coliseum, Hampton Golf and Tennis Center, The Hamptons (Golf Course), the Solid Waste Fund and the Wastewater Management Fund are derived primarily from user fees.

The Museum's operating revenue is derived from donations and user fees, including \$549,337 in federal funds from the National Aeronautics and Space Administration for educational/user fee subsidy. The fund accounts for all operational and Revenue Bond Trust activity.

The Convention Center Fund was established to account for the construction and operation of the Convention Center. Revenues will be derived from user fees and meal and lodging taxes.

The Industrial Development Authority, a legally separate organization established under the Industrial Development and Revenue Bond Act of the *Code of Virginia* and ordinances adopted by Hampton City Council, is responsible for promoting industry and developing trade by inducing private enterprises to remain or relocate in the City. Its income is derived from appropriations from the City, fees and land sales, and rental of property. The IDA is included in the financial statements as a discretely presented component unit.

HRHA, a legally separate organization, has been included in the financial statements as a blended component unit (see Note 1 on reporting entity). HRHA is a public corporation that operates and administers public housing and other urban development programs in the City.

HFP, a legally separate organization, has been included in the financial statements as a discretely presented component unit (see Note 1 on reporting entity). HFP is a public corporation that provides programs and services that benefit families, children and youth of the City.

Coliseum BID, a legally separate organization, has been included in the financial statements as a discretely presented component unit (see Note 1 on reporting entity). Coliseum BID is a public corporation that promotes and markets the Coliseum Central Business District within the City.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

2. BASIS OF PRESENTATION - FUND ACCOUNTING, Concluded:

Downtown Hampton, a legally separate organization, has been included in the financial statements as a discretely presented component unit (see Note 1 on reporting entity). Downtown Hampton is a public corporation that promotes and markets the Downtown Hampton Business Improvement District.

The foundation, a legally separate organization, has been included in the financial statements as a discretely presented component unit (see Note 1 on reporting entity). The Foundation is a public corporation that carries out the charitable, educational, educational, literary and scientific purposes of the Virginia Air and Space Center.

Internal Service Funds

The Internal Service Funds account for the services provided to substantially all City departments or other governmental units on a cost-reimbursement basis.

The Equipment Replacement Fund owns all on-road rolling stock of the City and leases the equipment to the various operating departments. Leasing income is used for replacement of the equipment.

The Fleet Management Fund accounts for the operation of the City's central automotive maintenance service facility.

The Risk Management Fund accounts for the costs of providing insurance coverage and certain self-insured liabilities of the City and the School Board.

The Refuse-Steam Plant Fund accounts for the operation of the City's steam generating plant. Revenues are derived from the sale of steam to the United States Government, a solid waste disposal fee (tipping fee) charged to the Solid Waste Fund and user fees charged to external customers.

The Information Technology Fund accounts for the costs of providing the following services: personal computer support, printing and mailing, and telecommunications services.

Trust and Agency Funds

The Trust and Agency Funds consist of the Hampton Employees' Retirement System, the Special Welfare Fund, and Other Agency Fund.

The Hampton Employees' Retirement System accounts for the revenues and expenditures related to the City-sponsored retirement plan, which is administered by a board of trustees appointed by City Council.

The Special Welfare Fund accounts for receipts and disbursements for special assistance programs and activities sponsored by the City's social services department.

The Other Agency Fund accounts for receipts and disbursements related to the Peninsula Drug Task Force.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

3. INTERFUND BALANCES:

Interfund Receivables and Payables

Primary Government:

	<u>Due From</u>	<u>Due To</u>
General	\$ 8,576,159	\$ 10,930,700
Special Revenue:		
Federal Grants	1,081,261	2,963,965
Community Development		27,722
Economic Development	1,423,052	70,193
EXCEL		135,836
Enhanced Emergency Telephone Service		306,335
Stormwater Management		255,405
Pembroke Complex		4,205
Law Library		224
Capital Projects	4,837,335	1,639,580
Enterprise:		
Coliseum	10,373	40,524
Convention Center	343,558	6,573
Golf and Tennis Center	1,891	510,032
The Hamptons	321	2,156,298
Museum	58,515	769,000
Solid Waste	75,709	214,588
Wastewater Management	42,324	69,389
HRHA	457,685	457,685
Internal Service:		
Equipment Replacement	2,342,548	4,365
Fleet Management	605,504	16,520
Risk Management	601,100	8,602
Refuse-Steam Plant	67,607	42,103
Information Technology	130,531	7,531
Trust and Agency:		
Pension Trust Fund		292
Special Welfare		14,697
Other Agency Fund		3,109
Total Primary Government	<u>20,660,480</u>	<u>20,660,480</u>

Interfund Receivables and Payables

Component Unit:

	<u>Due From</u>	<u>Due To</u>
School Board Operating	\$ 4,403,109	\$ 1,624,343
Student Activities	91,902	152,000
Food Services	4,925	135,211
Special Revenue:		
Shenandoah Life		3,036
Reimbursable Projects	1,558,973	4,144,319
Total Component Unit	<u>6,058,909</u>	<u>6,058,909</u>
Total Reporting Entity	<u>\$ 26,719,389</u>	<u>\$ 26,719,389</u>

Receivable and payable balances between the primary government and component units are as follows:

	<u>Due From Primary Government</u>	<u>Due To Component Unit</u>	<u>Due From Component Unit</u>	<u>Due To Primary Government</u>
Primary Government – General Fund	\$	\$ 367,711	\$ 348	\$
Primary Government – Federal Grants		14,784		
Primary Government – Economic Development		39,410	317,696	
Primary Government – Capital Projects Fund		69,722		
Primary Government – Solid Waste			10,971	
Primary Government – Central Garage			39,120	
Primary Government – Risk Management			60,145	
Primary Government – Information Services			27	
Component Unit – School Board Operating Fund	990			110,411
Component Unit – Food Services	22,832			
Component Unit – IDA	<u>487,805</u>			<u>317,896</u>
Total	<u>\$ 491,627</u>	<u>\$ 491,627</u>	<u>\$ 428,307</u>	<u>\$ 428,307</u>

The primary government entered into an interfund loan with its blended component unit, HRHA. The primary government is indebted to HRHA for a note in the amount of \$2,000,000 for the acquisition of real property. At June 30, 2004, the outstanding balance was \$1,200,000. This interfund loan was eliminated on the Statement of Net Assets.

HRHA entered into an interfund loan with the primary government, under which HRHA is indebted to the primary government for a note in the amount of \$100,000 related to real property. At June 30, 2004, the outstanding balance was \$70,586 on the records of the primary government and \$73,648 was outstanding on the records of HRHA at December 31, 2003. The interfund loan was eliminated to the extent of \$70,586 on the Statement of Net Assets.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

4. DEPOSITS AND INVESTMENTS:

The City maintains a cash and investment pool for all funds, except for the Pension Trust Fund - Employees' Retirement System and HRHA. The cash and investments of these funds are held separately from other City funds. Each fund's portion of the pool is disclosed on the appropriate balance sheet. At year end, the City maintained \$5,000,000 in compensating cash balances in banks.

For purposes of reporting cash flows, cash and cash equivalents include demand deposits, certificates of deposit, money market funds and repurchase agreements.

Deposits: At year-end, the carrying amount of deposits with banks and savings institutions was \$18,709,174 and the bank balance was \$24,915,595. Of the bank balance, \$24,915,595 was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

The carrying amount of deposits for the School Board, a discretely presented component unit, was \$2,055,783 and the bank balance was \$3,830,948. Of the bank balance, \$3,830,948 was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

The carrying amount of deposits for the Industrial Development Authority, a discretely presented component unit, was \$1,811,272 and the bank balance was \$1,811,272. Of the bank balance, \$1,811,272 was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

The carrying amount of deposits for the Coliseum Central Business Improvement District, Inc., a discretely presented component unit, was \$171,076 and the bank balance was \$171,076. Of the bank balance, \$171,076 was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

The carrying amount of deposits for the Downtown Hampton Development Partnership, Inc., a discretely presented component unit, was \$107,898 and the bank balance was \$107,898. Of the bank balance, \$107,898 was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

The carrying amount of deposits for the Healthy Families Partnership, Inc., a discretely presented component unit, was \$174,368 and the bank balance was \$174,368. Of the bank balance, \$174,368 was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

The carrying amount of deposits for the Foundation of the Virginia Air and Space Center and the Hampton Roads History Center, a discretely presented component unit, was \$21,277 and the bank balance was \$21,277. Of the bank balance, \$21,277 was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

Investments: Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Virginia General Assembly has authorized the Treasury Board to have regulatory oversight of the LGIP. The LGIP is managed in accordance with the Security and Exchange Commission Rule 2a7 of the Investment Company Act of 1940. Investments in the LGIP are valued at amortized cost. The net asset value of the LGIP is determined by adding the amortized cost value of all portfolio securities and other assets, deducting actual and accrued liabilities, and dividing by the number of shares outstanding. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

4. DEPOSITS AND INVESTMENTS, Continued:

Investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the financial institution's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or agent, but not in the City's name.

Reporting Entity:	C A T E G O R Y			Carrying Amount	Fair Value
	1	2	3		
<u>Primary Government:</u>					
Repurchase agreements	\$	\$	\$ 11,609,230	\$ 11,609,230	\$ 11,609,230
Commercial papers	20,272,837			20,272,837	20,292,885
U.S. Government securities	20,181,878			20,181,878	20,748,520
U.S. Government securities - HRHA	3,818,239			3,818,239	3,818,239
Corporate bonds and debentures	61,482,208			61,482,208	60,509,666
Common stocks	95,818,503			95,818,503	95,818,503
Total Primary Government	201,573,665		11,609,230	213,182,895	212,797,043
<u>Discretely Presented Component Units:</u>					
Repurchase Agreements			718,402	718,402	718,402
U.S. Government securities	174,777			174,777	174,777
Common stocks	50,000			50,000	50,000
Total Component Units	224,777		718,402	943,179	943,179
Total subject to categorization	\$ 201,798,442	\$	\$ 12,327,632	214,126,074	213,740,222

	<u>Carrying Amount</u>	<u>Fair Value</u>
Total from previous page	\$ 214,126,074	\$ 213,740,222
<u>Investments not subject to categorization:</u>		
Investment in mutual and money market funds - City	26,227,373	26,227,373
Investment in mutual and money market funds - HRHA	3,949,722	3,949,722
Investment in mutual and money market funds – Discretely Presented Component Units	2,506,842	2,506,842
Guaranteed Investment Contracts (GIC)	733,933	733,933
State Local Government Investment Pool - City	32,729,256	32,729,256
State Local Government Investment Pool - HRHA	1,560,870	1,560,870
State Non-Arbitrage Fund – City	62,937,549	62,937,549
Cash deposits - City	12,170,924	12,170,924
Cash deposits - HRHA	5,200,650	5,200,650
Cash deposits - Discretely Presented Component Units	<u>4,341,674</u>	<u>4,341,674</u>
	<u>152,358,793</u>	<u>152,358,793</u>
Total cash and investments including restricted assets per Exhibits A-1 and A-9	<u>\$ 366,484,867</u>	<u>\$ 366,099,015</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

4. DEPOSITS AND INVESTMENTS, Concluded:

The amount of ownership of cash and investments in the various credit risk categories of the City, by fund, is displayed in the following table:

	Amount of Ownership			Mutual and Money Market Funds	Cash Deposits
	CATEGORY				
	1	2	3		
Primary Government:					
Fiduciary Funds:					
Employees' Retirement System	\$ 157,300,711	\$	\$	\$ 5,895,841	\$ 171,077
Other Trust and Agency Funds					382,562
Governmental Fund Types:					
General Fund	22,197,824		11,609,230	8,500,000	5,404,421
Special Revenue Funds – Economic Development				4,000,000	344,286
Debt Service Fund	10,320,912			1,433,071	462,969
Capital Projects Fund				18,209,591	40,674
Non-major Governmental Funds				5,500,000	3,569,489
Proprietary Fund Types:					
Enterprise Funds	1,935,979			65,734,236	327,801
Non-major Enterprise Funds				6,000,000	462,976
Enterprise Funds - HRHA	3,818,239			5,510,592	5,200,650
Internal Service Funds	6,000,000			7,355,372	1,004,669
Totals-Primary Government	201,573,665		11,609,230	128,138,703	17,371,574
Discretely Presented					
Component Units:					
School Board			718,402	8,358	2,055,783
IDA	224,777			1,968,243	1,811,272
Coliseum Central Business Improvement District, Inc.					171,076
Downtown Hampton Development Partnership, Inc.					107,898
Healthy Families Partnership, Inc.					174,368
Foundation of the Virginia Air and Space Center & Hampton Roads History Center				530,241	21,277
Totals-Component Units	224,777		718,402	2,506,842	4,341,674
Total cash and investments	\$ 201,798,442	\$	\$ 12,327,632	\$ 130,645,545	\$ 21,713,248

5. ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2004 in the Governmental Funds are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Primary Government:</u>					
General property taxes (net of allowance for uncollectible taxes of \$2,664,448)	\$ 7,312,854	\$	\$	\$	\$
Due from Commonwealth of Virginia	5,225,348	996,754			1,500,000
Due from federal government		3,001,239			
Other	<u>1,286,182</u>	<u>894,454</u>	<u>17</u>	<u>134</u>	
Total Primary Government	<u>\$ 13,824,384</u>	<u>\$ 4,892,448</u>	<u>\$ 17</u>	<u>\$ 134</u>	<u>\$ 1,500,000</u>
<u>Discretely Presented Component Unit - School Board:</u>					
Due from Commonwealth of Virginia		\$ 2,419,990			
Due from federal government		2,752,581			
Other		<u>538,550</u>			
Total Component Unit		<u>\$ 5,711,121</u>			

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

6. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Additions	Reductions	Reclassifications	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land - City	\$ 28,859,599	\$ 3,035,971	\$ -	\$ -	\$ 31,895,570
Construction in progress	<u>15,356,316</u>	<u>4,937,478</u>	<u>(1,712,645)</u>	<u>-</u>	<u>18,581,149</u>
Total capital assets not being depreciated	<u>44,215,915</u>	<u>7,973,449</u>	<u>(1,712,645)</u>	<u>-</u>	<u>50,476,719</u>
Capital assets being depreciated:					
Buildings	71,563,294	76,547	-		71,639,841
Improvements	48,767,983	3,152,306	-		51,920,289
Machinery & Equipment	50,454,840	4,845,942	(1,623,275)		53,677,507
Infrastructure	<u>3,266,476</u>	<u>1,407,104</u>	<u>-</u>	<u>-</u>	<u>4,673,580</u>
Total capital assets being depreciated	<u>174,052,593</u>	<u>9,481,899</u>	<u>(1,623,275)</u>	<u>-</u>	<u>181,911,217</u>
Less accumulated depreciation for:					
Buildings	(23,582,027)	(1,669,784)	-		(25,251,811)
Improvements	(16,041,015)	(2,095,576)	-	(10,719,191)	(28,855,782)
Machinery & Equipment	(42,922,760)	(3,352,779)	1,012,259	10,719,191	(34,544,089)
Infrastructure	<u>(125,203)</u>	<u>(173,807)</u>	<u>-</u>	<u>-</u>	<u>(299,010)</u>
Total accumulated depreciation	<u>(82,671,005)</u>	<u>(7,291,946)</u>	<u>1,012,259</u>	<u>-</u>	<u>(88,950,692)</u>
Total capital assets being depreciated, net	<u>91,381,588</u>	<u>2,189,953</u>	<u>(611,016)</u>	<u>-</u>	<u>92,960,525</u>
Governmental activities capital assets, net	<u>\$ 135,597,503</u>	<u>\$ 10,163,402</u>	<u>\$ (2,323,661)</u>	<u>\$ -</u>	<u>\$ 143,437,244</u>

Primary Government:

Net capital assets for Governmental Activities are composed of the following:

General capital assets	\$ 131,803,020
Internal Service Funds	<u>11,634,224</u>
	<u>\$ 143,437,244</u>

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 21,117,052	\$ 2,298,367	\$ (1,002,075)	\$ 22,413,344
Construction in progress	<u>19,995,163</u>	<u>43,898,726</u>	<u>(4,428,183)</u>	<u>59,465,706</u>
Total capital assets not being depreciated	<u>41,112,215</u>	<u>46,197,093</u>	<u>(5,430,258)</u>	<u>81,879,050</u>
Capital assets being depreciated:				
Buildings	75,206,094	4,712,209	(1,970,749)	77,947,554
Improvements	2,237,617	10,226	-	2,247,843
Machinery & Equipment	16,634,187	3,182,056	(156,447)	19,659,796
Exhibits	6,593,181	4,063,094	-	10,656,275
Infrastructure	<u>51,892,526</u>	<u>1,512,974</u>	<u>(134,862)</u>	<u>53,270,638</u>
Total capital assets being depreciated	<u>152,563,605</u>	<u>13,480,559</u>	<u>(2,262,058)</u>	<u>163,782,106</u>
Less accumulated depreciation for:				
Buildings	(30,448,468)	(2,101,238)	173,325	(32,376,381)
Improvements	(3,481,357)	(253,145)	-	(3,734,502)
Machinery & Equipment	(14,242,968)	(1,652,702)	38,062	(15,857,608)
Exhibits	(6,074,009)	(172,096)	-	(6,246,105)
Infrastructure	<u>(17,633,259)</u>	<u>(832,424)</u>	<u>54,637</u>	<u>(18,411,046)</u>
Total accumulated depreciation	<u>(71,880,061)</u>	<u>(5,011,605)</u>	<u>266,024</u>	<u>(76,625,642)</u>
Total capital assets being depreciated, net	<u>80,683,544</u>	<u>8,468,954</u>	<u>(1,996,034)</u>	<u>87,156,464</u>
Business-type activities capital assets, net	<u>\$ 121,795,759</u>	<u>\$ 54,666,047</u>	<u>\$ (7,426,292)</u>	<u>\$ 169,035,514</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

6. CAPITAL ASSETS, Continued

Depreciation expense was charged to functions/programs of the primary government as follows:

	General Capital Assets	Internal Service Funds	Total
Governmental activities:			
General government	\$ 3,011,367	\$ 2,018,587	\$ 5,029,954
Health	11,320		11,320
Public welfare	69,719		69,719
Public safety	658,287		658,287
Streets and highways	91,386		91,386
Culture and recreation	104,865		104,865
Education	<u>1,326,415</u>	-	<u>1,326,415</u>
Total depreciation expense - governmental activities	<u>\$ 5,273,359</u>	<u>\$ 2,018,587</u>	<u>\$ 7,291,946</u>
Business - type activities:			
Culture and recreation	\$ 1,893,623		
Sanitation	1,989,449		
Housing	<u>1,128,533</u>		
Total depreciation expense - business-type activities	<u>\$ 5,011,605</u> *		

Depreciation expense in the amount of \$18,373 was capitalized as part of self-constructed assets in the Wastewater Management Fund.

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Capital outlay	\$ 18,058,016
Depreciation expense	(5,273,359)
Capital outlay not capitalized	<u>(6,518,554)</u>
Total adjustment	<u>\$ 6,266,103</u>

Discretely Presented Component Units**School Board:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,058,366	\$ -	\$ -	\$ 5,058,366
Total capital assets not being depreciated	<u>5,058,366</u>	<u>-</u>	<u>-</u>	<u>5,058,366</u>
Capital assets being depreciated:				
Buildings	49,507,691			49,507,691
Improvements	310,100			310,100
Machinery & Equipment	<u>27,525,508</u>	<u>2,474,464</u>	<u>(1,308,217)</u>	<u>28,691,755</u>
Total capital assets being depreciated	<u>77,343,299</u>	<u>2,474,464</u>	<u>(1,308,217)</u>	<u>78,509,546</u>
Less accumulated depreciation for:				
Buildings	(42,889,789)	(805,787)		(43,695,576)
Improvements	(27,134)	(15,505)		(42,639)
Machinery & Equipment	<u>(16,799,847)</u>	<u>(3,748,014)</u>	<u>1,182,922</u>	<u>(19,364,939)</u>
Total accumulated depreciation	<u>(59,716,770)</u>	<u>(4,569,306)</u>	<u>1,182,922</u>	<u>(63,103,154)</u>
Total capital assets being depreciated, net	<u>17,626,529</u>	<u>(2,094,842)</u>	<u>(125,295)</u>	<u>15,406,392</u>
School Board capital assets, net	<u>\$ 22,684,895</u>	<u>\$ (2,094,842)</u>	<u>\$ (125,295)</u>	<u>\$ 20,464,758</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

6. CAPITAL ASSETS, Continued:

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Capital outlay	\$ 2,474,464
Depreciation expense	<u>(4,569,306)</u>
Total adjustment	<u>\$ (2,094,842)</u>

Industrial Development Authority:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 19,049,951	\$ -	\$ (1,025,283)	\$ 18,024,668
Construction in progress	<u>1,468,755</u>	<u>1,116,897</u>	<u>-</u>	<u>2,585,652</u>
Total capital assets not being depreciated	<u>20,518,706</u>	<u>1,116,897</u>	<u>(1,025,283)</u>	<u>20,610,320</u>
Capital assets being depreciated:				
Infrastructure		1,711,490		1,711,490
Improvements	383,042			383,042
Machinery & Equipment	<u>50,080</u>	<u>-</u>	<u>-</u>	<u>50,080</u>
Total capital assets being depreciated	<u>433,122</u>	<u>1,711,490</u>	<u>-</u>	<u>2,144,612</u>
Less accumulated depreciation for:				
Infrastructure		(49,918)		(49,918)
Improvements	(383,042)			(383,042)
Machinery & Equipment	<u>(34,558)</u>	<u>(875)</u>	<u>-</u>	<u>(35,433)</u>
Total accumulated depreciation	<u>(417,600)</u>	<u>(50,793)</u>	<u>-</u>	<u>(468,393)</u>
Total capital assets being depreciated, net	<u>15,522</u>	<u>1,660,697</u>	<u>-</u>	<u>1,676,219</u>
Industrial Development Authority capital assets, net	<u>\$ 20,534,228</u>	<u>\$ 2,777,594</u>	<u>\$ (1,025,283)</u>	<u>\$ 22,286,539</u>

Healthy Families Partnership, Inc.:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Machinery & Equipment	\$ -	\$ 11,663	\$ -	\$ 11,663
Less accumulated depreciation	-	-	-	-
Healthy Families Partnership capital assets, net	<u>\$ -</u>	<u>\$ 11,663</u>	<u>\$ -</u>	<u>\$ 11,663</u>

Downtown Hampton Development Partnership, Inc.:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Improvements	\$ 120,023	\$ 21,880	\$ -	\$ 141,903
Machinery & Equipment	<u>65,970</u>	<u>1,361</u>	<u>-</u>	<u>67,331</u>
Total capital assets being depreciated	185,993	23,241	-	209,234
Less accumulated depreciation	<u>(64,156)</u>	<u>(12,248)</u>	<u>-</u>	<u>(76,404)</u>
Downtown Hampton Development Partnership capital assets, net	<u>\$ 121,837</u>	<u>\$ 10,993</u>	<u>\$ -</u>	<u>\$ 132,830</u>

Coliseum Central Business Improvement District, Inc.:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Machinery & Equipment	\$ 70,003	\$ -	\$ -	\$ 70,003
Less accumulated depreciation	<u>(42,624)</u>	<u>(7,938)</u>	<u>-</u>	<u>(50,562)</u>
Coliseum Central Business Improvement District capital assets, net	<u>\$ 27,379</u>	<u>\$ (7,938)</u>	<u>\$ -</u>	<u>\$ 19,441</u>

Construction in Progress

Several capital projects were in various stages of completion at June 30, 2004. In accordance with the City's accounting policies and practices, these projects will remain in construction in progress until completion, at which time they will be transferred into the various capital asset accounts in the government-wide statements and Enterprise and Internal Service Funds. At June 30, 2004, construction in progress by project was comprised as follows:

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

6. CAPITAL ASSETS, Concluded:

	Project Authorization	Expended to June 30, 2004	Commitments (Encumbrances)	Required Future Funding
<u>General Capital Assets</u>				
Less Secure Detention Facility	\$ 1,107,084	\$ 1,107,084	\$ -	\$ -
Jail Improvement	6,714,000	6,404,977		
Circuit Court	980,655	619,377		
City Hall Repairs	3,960,620	2,123,755		
Pump Station	21,328	21,328		
Old Hampton Courthouse	417,124	407,805		
Public Building Roofs	682,176	682,176		
Macy Carmel Center	277,063	277,063		
Community Service Center	701,904	320,317		
Fire Station Repairs	525,744	525,744		
Public Safety Building	10,145	10,145		
Youth Services Building	10,675	10,675		
Community Corrections	49,201	49,201		
Willow Oaks Library	6,975	6,975		
School Roof and Window Replacements	8,444,787	2,901,719		
Lindsay Middle School Community Center	3,000,000	2,685,052		
JDR Courthouse	36,560	26,265		
Downtown Office Building	59,925	23,002		
Refuse-Steam Plant Upgrade	5,000,000	378,489	-	-
	<u>\$ 32,005,966</u>	<u>\$ 18,581,149</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Enterprise Funds</u>				
Museum Exhibits	\$ 61,482	\$ 61,482	\$ -	\$ -
Wastewater Management Sewer Projects	748,820	637,588		
Coliseum Dressing Room Renovations	331,102	311,702		
Convention Center	100,597,771	58,454,934	25,328,460	-
	<u>\$ 101,739,175</u>	<u>\$ 59,465,706</u>	<u>\$ 25,328,460</u>	<u>\$ -</u>
<u>Discretely Presented Component Unit - IDA</u>				
Hampton Roads Center north Infrastructure	<u>\$ 2,585,652</u>	<u>\$ 2,585,652</u>	<u>\$ -</u>	<u>\$ -</u>

7. BUDGETARY - GAAP REPORTING RECONCILIATION:

The City adopts an annual budget for the General Fund, but does not adopt an annual budget for any of the Special Revenue Funds. Resources are provided for and appropriated individually throughout the year as they become available to the City. The General Fund budget basis and GAAP are substantially the same.

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT:

The following is a summary of the changes in general obligation debt and other indebtedness during the year ended June 30, 2004:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due after One Year
Governmental Activities:						
Bonds payable:						
Serial bonds	\$ 156,145,000		\$ (10,470,000)	\$ 145,675,000	\$ 9,975,000	135,700,000
Unamortized premium	1,113,643		(98,387)	1,015,256	98,387	916,869
Bonds payable (VRS)	8,978,916		(575,031)	8,403,885	575,031	7,828,854
Capital leases	2,108,531		(134,083)	1,974,448	134,083	1,840,365
Long-term notes payable	2,174,727		(372,401)	1,802,326	772,401	1,029,925
General Obligation Bond Anticipation Notes						
Literary loans payable	1,704,527		(188,050)	1,516,477	188,050	1,328,427
Compensated absences	5,305,325	4,947,462	(5,288,443)	4,964,344	3,418,264	1,546,080
Claims and judgments	2,264,784	472,283	(1,633,891)	1,103,176	513,661	589,515
Net pension obligation	602	-	(555)	47	-	47
Governmental activities long-term liabilities	<u>\$ 179,796,055</u>	<u>\$ 5,419,745</u>	<u>\$ (18,760,841)</u>	<u>\$ 166,454,959</u>	<u>\$ 15,674,877</u>	<u>150,780,082</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:

Balances at June 30, 2004:

Long-term liabilities (detail above)	\$ 166,454,959
Less claims and judgments - Internal Service Fund	<u>(1,103,176)</u>
Combined adjustment	<u>\$ 165,351,783</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due after One Year
Business-type Activities:						
Bonds payable:						
Revenue bonds	\$ 123,025,000	\$ 12,875,000	\$ (14,465,000)	\$ 121,435,000	\$ 1,375,000	120,060,000
Unamortized premium	2,808,892	629,830	(166,200)	3,272,522	208,901	3,063,621
Less deferred amount for advance refunding	<u>(1,073,267)</u>	<u>(1,759,455)</u>	<u>1,074,459</u>	<u>(1,758,263)</u>	<u>-</u>	<u>(1,758,263)</u>
Total bonds payable	124,760,625	11,745,375	(13,556,741)	122,949,259	1,583,901	121,365,358
Capital leases	1,747,309		(136,239)	1,611,070	113,765	1,497,305
Long-term notes payable:						
City	279,000		(93,000)	186,000	93,000	93,000
HRHA	1,159,918		(78,951)	1,080,967	82,189	998,778
Rebatable interest	<u>188,042</u>	<u>-</u>	<u>(188,042)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 128,134,894</u>	<u>\$ 11,745,375</u>	<u>\$ (14,052,973)</u>	<u>\$ 125,827,296</u>	<u>\$ 1,872,855</u>	<u>\$ 123,954,441</u>
Component Units:						
School Board:						
Compensated absences	\$ 5,541,493	\$ 861,065	\$ (807,594)	\$ 5,594,964	\$ -	\$ 5,594,964
Capital leases	<u>1,662,475</u>	<u>-</u>	<u>(842,198)</u>	<u>820,277</u>	<u>820,277</u>	<u>-</u>
Total School Board	<u>\$ 7,203,968</u>	<u>\$ 861,065</u>	<u>\$ (1,649,792)</u>	<u>\$ 6,415,241</u>	<u>\$ 820,277</u>	<u>\$ 5,594,964</u>
Industrial Development Authority:						
Revenue bonds payable	<u>\$ 12,193,521</u>	<u>\$ -</u>	<u>\$ (385,028)</u>	<u>\$ 11,808,493</u>	<u>\$ 282,479</u>	<u>\$ 11,526,014</u>
Downtown Hampton Development Partnership, Inc.:						
Notes payable	<u>\$ 4,606</u>	<u>\$ 50,000</u>	<u>\$ (4,606)</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>
Foundation of the Virginia Air and Space Center and Hampton Roads History Center:						
Notes payable	<u>\$ -</u>	<u>\$ 1,989,380</u>	<u>\$ -</u>	<u>\$ 1,989,380</u>	<u>\$ 1,989,380</u>	<u>\$ -</u>

Enterprise Funds:

On November 13, 1996, the City increased the line-of-credit with a bank from \$3,000,000 to \$8,000,000 for the acquisition of real property which is strategic to the City's future planning and/or economic development.

On November 14, 1995, the City borrowed \$930,000 under the line-of-credit for the purchase of land for the Solid Waste Fund. This note payable of \$186,000 as of June 30, 2004 is payable in annual principal installments of \$93,000 through November 14, 2005, plus interest accrued weekly at 95% of the LIBOR rate. This note is secured by the full faith and credit of the City.

On August 31, 1999, the City issued \$3,195,000 in Golf Course Refunding Revenue Bonds, Series 1999 with an interest rate of 6% to advance refund \$3,105,000 of outstanding Revenue Bonds with interest rates of 6.5% and 7.625%. At June 30, 2004, \$2,255,000 in Golf Course Refunding Revenue Bonds remain outstanding.

The unamortized amount deferred on the refunding of \$58,451 is reported in the accompanying financial statements as a reduction of bonds payable and is being charged to operations through the year 2013, using the interest method.

The Golf Course Refunding Revenue Bonds are subject to redemption by December 1 of each year, from amounts to be deposited in the Bond Retirement Account pursuant to the Indenture of Trust.

In January 1994, the City of Hampton Museum Revenue Bonds dated January 1, 1994 (Series 1994) were issued and recorded in the Museum Enterprise Fund.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:

On February 19, 2004, the City issued \$12,875,000 in Museum Revenue Refunding Bonds (Bonds) with interest ranging from 2% to 5%. The proceeds of the 2004 Bonds, together with certain funds held under the Indenture and interest earned thereon, are to be used to pay for the defeasance and prepayment of \$13,275,000 of the City's Museum Revenue Refunding Bonds, Series 1994, originally dated January 1, 1994 and maturing January 1, 2009 and January 1, 2014 (the "Refunded Bonds"). The Refunded Bonds were redeemed on April 6, 2004, from the net proceeds of the 2004 Bonds and funds held for the benefit of the Refunded Bonds, all deposited and maintained in an irrevocable fund (the "Refunding Trust Fund") maintained by the Trustee pursuant to a Refunding Trust Agreement between the City and the Trustee (the "Refunding Trust Agreement"). The Bonds are payable solely from, and collateralized by, revenues derived from ownership and operation of the project and nonrequired appropriations by the City pursuant to its moral obligation pledge. Interest on the Bonds is due and payable semi-annually on each January 1 and July 1.

Details at June 30, 2004 are as follows:

	<u>Series 2004</u>
Outstanding debt	\$ 12,875,000
Interest rate	2% to 5%
Dates of maturity	2005 - 2014

The Museum Revenue Bonds Indenture of Trust requires that all funds from operation be accounted for in a revenue fund and applied, to the extent monies are available, to funds and accounts created by the indenture.

Convention Center Revenue Bonds (Bonds) were issued pursuant to an Indenture of Trust, dated November 1, 2002, between the City of Hampton and Wachovia Bank, National Association, as trustee. Bonds in the amount of \$106,305,000 were issued with interest ranging from 3.50% to 5.25%. Interest on the Bonds is due and payable semi-annually on each January 15 and July 15. The proceeds of the Bonds are to be used to finance the cost of the construction of a convention center, to retire a \$7,585,000 Revenue Bond Anticipation Note issued in connection with the project and to pay interest on the Series 2002 Bonds. The bonds are payable solely from and collateralized by, revenues derived by the City from ownership and operation of the project.

The Convention Center Revenue Bonds Indenture of Trust requires that all funds from operation be accounted for in a revenue fund and applied, to the extent monies are available, to funds and accounts created by the indenture.

Revenue bond debt service requirements to maturity are as follows:

Fiscal year ending June 30	Principal (*)	Interest
2005	\$ 1,375,000	\$ 5,916,936
2006	1,345,000	5,936,619
2007	1,415,000	5,866,768
2008	1,450,000	5,828,968
2009	1,490,000	5,785,531
2010-2014	17,240,000	27,372,957
2015-2019	14,560,000	23,392,519
2020-2024	20,185,000	18,935,268
2025-2029	24,225,000	13,352,488
2030-2034	30,990,000	6,589,000
2035	7,160,000	358,000
	121,435,000	119,335,054
Less interest component	-	(119,335,054)
Total future debt service	\$ 121,435,000	\$ -

(*) This includes sinking fund payments for Museum Revenue Bonds.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:

The City has entered into several lease purchase agreements in its Enterprise Funds. The following is a summary of those agreements:

<u>Description</u>	<u>The Hamptons</u>	<u>Golf and Tennis Center</u>	<u>Total</u>
Capital lease for Toro riding mowers at Woodlands Golf Course dated February 2003 payable in 43 equal monthly payments of \$2,841	\$	\$ 122,163	\$ 122,163
Capital lease for Golf Course Clubhouse Facility dated July 1990 with interest at 9.875%, payable in 132 equal monthly payments of \$18,581	2,452,692		2,452,692
Capital lease for Toro riding mowers at The Hamptons and Woodlands Golf Courses dated November 1, 1999 with interest at 6.2% payable in 5 equal monthly payments of \$1,129	<u>2,257</u>	<u>2,257</u>	<u>4,514</u>
Totals (including interest)	2,454,949	124,420	2,579,369
Less: Interest	(960,182)	(8,117)	(968,299)
Totals (excluding interest)	<u>\$ 1,494,767</u>	<u>\$ 116,303</u>	<u>\$ 1,611,070</u>

Debt service on capital leases payable during future fiscal years ending June 30 is as follows:

<u>Year</u>	
2005	\$ 261,578
2006	257,064
2007	257,064
2008	242,859
2009	222,972
2010 – 2014	1,114,860
2015	<u>222,972</u>
	2,579,369
Less interest	<u>(968,299)</u>
	<u>\$ 1,611,070</u>

Discretely Presented Component Unit - IDA:

On April 11, 1997, the Industrial Development Authority issued \$1,745,000 of Industrial Development Revenue Bonds. The proceeds from the bond issue were used to acquire and improve land and building for lease to Whitney Rand Manufacturing Corporation. The bonds are payable from revenues generated from the lease of the land and building with the lease term being equivalent to the life of the bond issue. Principal and interest are due monthly.

On September 7, 2001, The Industrial Development Authority issued Lease Revenue Bonds in the amount of \$11,286,888. The proceeds from the bond issue were used to finance the construction of the Peninsula Workforce Development Center. The bonds are payable from revenues generated from the lease of the building with the lease term being equivalent to the life of the bond issue. On each January 1 and July 1 beginning January 1, 2002, to and including January 1, 2021, the IDA shall pay semi-annual installments of principal and interest in the amount of \$495,030.

Details at June 30, 2004 are as follows:

	<u>1997 Revenue Bonds</u>		<u>2002 Revenue Bonds</u>
	<u>Taxable</u>	<u>Tax-Exempt</u>	<u>Tax-Exempt</u>
Outstanding Debt	\$ 231,026	\$ 1,199,114	\$ 10,378,353
Interest	8%	6.98%	6.17%
Dates of Maturity	2004 – 2018	2004 – 2018	2004 – 2022

Debt service on the foregoing debt during future years is as follows:

<u>Year</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 282,479	\$ 745,394
2006	436,613	718,934
2007	464,791	690,756
2008	494,555	660,992
2009	526,730	628,818
2010 – 2014	3,190,245	2,587,490
2015 – 2019	4,151,481	1,420,485
2020 – 2022	2,261,599	213,549
	<u>\$ 11,808,493</u>	<u>\$ 7,666,418</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:

Discretely Presented Component Unit-Downtown Hampton:

As of June 30, 2004, the Downtown Hampton Development Partnership, Inc. is indebted to Old Point National Bank for a construction note in the amount of \$50,000 for the purpose of constructing new piers. The note is to be converted to a permanent loan upon completion of the construction, in an amount not to exceed \$300,000. Funds are disbursed as requested at a 4% fixed interest rate. Interest paid on the construction note in FY2004 amounted to \$84.

Discretely Presented Component Unit-Foundation:

As of June 30, 2004, the Foundation has \$1,989,380 outstanding on a line of credit which was to cover a shortfall in receipts of pledges.

Blended Component Unit – HRHA:

As explained in Note 1, under the section regarding the reporting entity, the Hampton Redevelopment and Housing Authority (HRHA) is included in the financial statements as a blended component unit. The following is a description of debt of HRHA that has been blended into the City's (the primary government):

Virginia Housing and Development Authority Mortgage Notes:

As of December 31, 2003, HRHA was indebted to the Virginia Housing Development Authority for a mortgage note of \$200,013. The note is payable in monthly installments of \$1,918. The monthly installments due within the next twelve months are \$23,016. The interest rate on the note is 7.684% and the payments are for 476 months beginning on January 1, 1979. Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>
2004	\$ 7,561
2005	8,177
2006	8,844
2007	9,565
2008	10,345
2009 – 2013	65,838
2014 – 2018	<u>89,683</u>
	<u>\$ 200,013</u>

As of December 31, 2003, HRHA was indebted to the Virginia Housing Development Authority for a mortgage note of \$134,664. The note is payable in monthly installments of \$2,220. The interest rate on the note is at 2% and is for 180 months beginning May 1, 1994. Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>
2004	\$ 24,169
2005	24,657
2006	25,154
2007	25,662
2008	26,180
2009 – 2013	<u>8,842</u>
	<u>\$ 134,664</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:

Other Notes:

As of December 31, 2003, HRHA was indebted to SunTrust Bank for mortgage financing secured on commercial space in the amount of \$746,290. The interest rate is 4.42% and payable in 120 monthly installments of \$6,869. Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>
2004	\$ 50,459
2005	52,736
2006	55,113
2007	57,600
2008	60,198
2009 – 2013	344,252
2014 – 2018	<u>125,932</u>
	<u>\$ 746,290</u>

Internal Service Funds:

The note payable of \$2,257,288 in the Refuse-Steam Plant represents an amount payable to the Debt Service Fund. The Refuse-Steam Plant was advanced \$2,257,288 from the April 2002 General Obligation Bond issue to make certain required capital improvements to its facilities. The note is to be repaid in semi-annual installments, which includes interest. These installments will be used to meet a pro-rata share of the annual debt service costs on the General Obligation Series 2002 Bonds. This note payable was excluded from governmental activities' long-term liabilities since it was eliminated against the related notes receivable in the statement of net assets for governmental activities.

The City is self-insured for workmen's compensation benefits and general liability insurance claims. At June 30, 2004 the liability for existing claims amounted to \$1,103,176. Workmen's compensation benefit claims are payable weekly or monthly through 2011.

Debt service on the foregoing debt is payable during future fiscal years ending June 30 as follows:

<u>Year</u>	<u>Accrued Insurance Claims</u>
2005	\$ 513,661
2006	138,708
2007	114,665
2008	100,869
2009	91,098
2010 – 2011	<u>144,175</u>
	<u>\$ 1,103,176</u>

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2004 are as follows:

General Obligation Bonds Outstanding	\$145,675,000
Coupon interest rate	2.0% to 8.10%
Dates of maturity	2004 - 2022

Debt service on the foregoing debt is payable during future fiscal years ending June 30 as follows:

<u>Year</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 9,975,000	\$ 7,167,551
2006	10,490,000	6,703,135
2007	21,605,000	6,231,571
2008	9,025,000	5,166,994
2009	9,650,000	4,737,149
2010 – 2014	43,220,000	17,498,537
2015 – 2019	31,580,000	7,148,719
2020 – 2022	<u>10,130,000</u>	<u>876,100</u>
	<u>\$ 145,675,000</u>	<u>\$ 55,529,756</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:

On January 30, 2003, the City issued \$18,340,000 in Public Improvement Refunding Bonds (Bonds) with interest ranging from 2.00% to 4.25%. The proceeds of the bonds were used to defease \$18,400,000 of the City's Public Improvement Bonds, Series A and Public Improvement Refunding Bonds, Series C, originally dated November 1, 1993 and maturing August 1, 2005 through August 1, 2013. The Refunded Bonds were redeemed on August 1, 2003. The Bonds are general obligations of the City and the full faith and credit of the City are pledged to the payment of principal and interest. Interest on the Bonds is due and payable semi-annually on each February 1 and August 1.

On October 15, 2002, the City issued \$7,370,000 in Public Improvement Bonds (Bonds) with interest ranging from 2.75% to 5.00%. The proceeds of the Bonds are to be used as part of the City's participation in the revitalization and commercial development of the Coliseum District in the City, to assist in the development of a Bass Pro Outdoors Shop in such District. The bonds are general obligations of the City and the full faith and credit of the City are pledged to the payment of principal and interest. Interest on the Bonds is due and payable semi-annually on each January 15 and July 15.

On January 15, 2000, the City issued \$45,960,000 in Public Improvement Bonds (Bonds) with interest ranging from 4.75% to 6.00% and \$3,425,000 in General Obligation Notes (Notes) with an interest rate of 4.65%. Interest on the Bonds is due and payable semi-annually on each February 1 and August 1. The Notes were paid on May 30, 2002. On April 1, 2002, the City issued \$30,155,000 in Public Improvement Bonds (Bonds) with interest ranging from 4.25% to 5.00%. The proceeds of the Bonds were used to pay \$3,425,000 in certain General Obligation Notes of the City and the remaining balance will to be used to finance general public improvements in the City, including street, road and sewer projects, community enhancement projects, school projects and other projects for the benefit of the City. The Bonds are general obligations of the City and the full faith and credit of the City are pledged to the payment of principal and interest. Interest on the Bonds is due and payable semi-annually on each April 1 and October 1.

In prior years, the City defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2004, \$68,080,000 of bonds outstanding are considered defeased.

General obligation bonds are backed by the full faith and credit of the City.

The City was required to make sinking fund deposits through August, 1986 to provide for the retirement of \$10,700,000 of 1978 refunding bonds maturing in 2007. Deposits totaling \$10,637,250 have been made to date and are reflected in the Debt Service Funds. The sinking fund deposits have been used to purchase \$9,306,000 par value U.S. Treasury Bonds bearing interest at 9.375% due 2006. The City has entered into an escrow agreement with a bank to receive interest payments from the United States Treasury Bonds and apply those payments to the annual debt service of the \$10,700,000 refunding bonds until the maturity in 2007.

On November 13, 1996, the City increased the line-of-credit with a bank from \$3,000,000 to \$8,000,000 for the acquisition of real property which is strategic to the City's future planning and/or economic development. On January 18, 1996, the City borrowed \$1,550,000 under the line-of-credit for the acquisition of real property on the westerly side of Big Bethel Road. This note was paid in full January 18, 2004. On February 13, 1997, the City borrowed \$761,760 and \$520,000 under the line-of-credit for the acquisition of real property at Aberdeen Road and Mercedes Drive, respectively. Those notes are payable in annual principal installments of \$76,176 and \$52,000, respectively, through February 13, 2007, plus interest accrued weekly at 95% of the LIBOR rate. On November 26, 2001, the City borrowed \$1,772,248 under the line-of-credit for the acquisition of real property associated with the road right of way on the Power Plant Retail Project site. This note is payable in annual installments of \$177,225 through November 26, 2010 and one annual installment of \$177,223 due November 26, 2011, plus interest accrued weekly at 95% of the LIBOR rate. The notes are secured by the full faith and credit of the City. At June 30, 2004, the outstanding balance was \$1,802,326.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:

The City is indebted for \$1,974,448 under capital leases and installment purchase contracts for the acquisition of equipment. The remaining debt service requirements, including interest, on the aforementioned contracts payable during future years ending June 30 is as follows:

<u>Year</u>	
2005	\$ 298,967
2006	298,967
2007	298,967
2008	160,560
2009	160,560
2010 – 2014	802,800
2015 – 2019	802,800
2020 – 2024	802,800
2025 – 2027	<u>347,880</u>
	3,974,301
Less interest	<u>(1,999,853)</u>
	<u>\$ 1,974,448</u>

Debt Limit: The Commonwealth of Virginia imposes a legal limit of 10% of assessed valuation on the amount of general obligation borrowings, which may be issued by the City. As of June 30, 2004, the City's aggregate general obligation indebtedness was \$475,455,650 less than the State limit.

Taxable General Obligation Bonds

On March 29, 1996, the City issued \$12,100,000 in Taxable General Obligation Refunding Bonds with an interest rate of 6.7968% to advance refund a \$12,024,375 note payable to the Virginia Retirement System (VRS). The net proceeds of \$12,024,375 plus an additional \$721,460 provided by the City was deposited with an escrow agent. On April 30, 1996, the escrow agent paid the entire principal and interest balance due on the note payable.

Debt service on the foregoing debt is payable during future fiscal years ending June 30 as follows:

<u>Year</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 614,115	\$ 571,195
2006	655,855	529,455
2007	700,432	484,878
2008	748,039	437,271
2009	798,882	386,428
2010 – 2014	<u>4,886,562</u>	<u>1,039,988</u>
	<u>\$ 8,403,885</u>	<u>\$ 3,449,215</u>

The City's indebtedness includes \$1,516,477 in loans from the State Literary Loan Fund. The proceeds of the one loan were used to fund the City's share of the New Horizons Technical Center, a regional high school vocational and technical center. The other loans were used for major repairs or renovations to four elementary schools and Hampton High School. Repayment is in annual installments over a 20-year term at 3% interest.

Debt service on literary loans during future fiscal years ending June 30 is as follows:

2005	\$ 233,544
2006	227,903
2007	222,261
2008	216,620
2009	170,978
2010 – 2014	<u>666,026</u>
	<u>1,737,332</u>
Less interest	<u>(220,855)</u>
	<u>\$ 1,516,477</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Concluded:

Discretely Presented Component Unit – School Board:

The School Board is indebted under capital leases and installment purchase contracts for the acquisition of school buses. The debt service requirements, including interest, on the aforementioned capital leases during future fiscal years ending June 30 is as follows:

2005	\$	426,761
2006		<u>426,760</u>
		853,521
Less interest		<u>(33,244)</u>
	\$	<u>820,277</u>

Overlapping Debt: There are no overlapping or underlying tax jurisdictions.

9. DEFINED BENEFIT PENSION PLANS:

The City contributes to two pension plans for its employees, the Hampton Employees' Retirement System (HERS) and the Virginia Retirement System (VRS). HERS covers all full-time salaried employees who were first hired prior to July 1, 1984 and VRS covers all full-time salaried employees.

Plan Description - HERS

HERS is a single employer public employee defined benefit pension plan established and administered by the City to augment the retirement benefits provided to full-time permanent City and School Board employees under the Virginia Retirement System (VRS). The authority to establish and amend benefit provisions of HERS is governed by statute as set out in Chapter 28 of the Code of the City of Hampton, Virginia. HERS is considered part of the City of Hampton's financial reporting entity and is included in the City's financial reports as a pension trust fund. HERS issues a publicly available financial report that includes financial statements and required supplementary information for HERS. The financial report may be obtained by writing to City of Hampton, Finance Department, 22 Lincoln Street, Hampton, Virginia, 23669 or by calling (757) 727-6230.

Funding Policy - HERS

The contribution requirements of plan members and the City of Hampton are established and may be amended by City Council. Plan members do not contribute. The City is required to contribute an actuarially determined rate; the current rate is 0% of annual covered payroll.

Annual Pension Cost and Net Pension Obligation – HERS

For fiscal year 2004, the City was not required to contribute to HERS; therefore, it has no annual pension cost and net pension obligation. The annual required contribution was determined as a part of the July 1, 2003 actuarial valuation using the entry age normal cost method with normal cost calculated on an aggregate basis. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases of 5% per year. The actuarial assumptions include a future inflation rate of 4.5% a year. The plan was amended in 2000 to provide for a one-time cost of living adjustment of 3.0% to members who retired prior to July 2, 1998. Effective July 1, 2001, the Board authorized a 3.5% cost of living adjustment to members who retired prior to July 1, 1999. The actuarial value of assets was determined using market value, but with the difference between expected and actual return recognized over a five-year period. The unfunded actuarial liability is amortized on a flat dollar basis. The remaining amortization period at June 30, 2004 was 19 years. The amortization period is closed.

Summary of Significant Accounting Policies - HERS

Basis of Accounting:

The financial statements of HERS are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which the contributions are due. Benefits and refunds are recognized when due and are payable in accordance with the terms of the plan.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

9. DEFINED BENEFIT PENSION PLANS, Continued:

Method Used to Value Investments:

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. The fair value of U.S. government and corporate bonds and stocks traded on national securities exchange is determined by using the last reported sales price on the last business day of the fiscal year. The guaranteed investment contract is valued at amortized cost. Investments that do not have an established market are reported at estimated fair value.

Trend Information – HERS

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/00	\$ –	0 %	\$ –
6/30/01	\$ –	0 %	\$ –
6/30/02	\$ –	0 %	\$ –
6/30/03	\$ –	0 %	\$ –
6/30/04	\$ –	0 %	\$ –

Funding Progress – HERS:

The amount shown below as actuarial accrued liability is computed using the Entry Age Normal Cost method of funding. The seven most recent years of funding progress are as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age Normal Cost Method (b)</u>	<u>Unfunded AAL (Funding Excess) (b) - (a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)</u>
6/30/98	\$ 178,242,951	\$ 125,390,971	\$ (52,851,980)	142.2%	\$ 57,426,667	(92.0)%
6/30/99	\$ 191,666,466	\$ 150,125,671	\$ (41,540,795)	127.7%	\$ 52,595,318	(79.0)%
6/30/00	\$ 202,094,503	\$ 153,529,592	\$ (48,564,911)	131.6%	\$ 45,804,859	(106.0)%
6/30/01	\$ 206,871,679	\$ 158,401,549	\$ (48,470,130)	130.6%	\$ 40,393,841	(120.0)%
6/30/02	\$ 195,451,957	\$ 171,660,111	\$ (23,791,846)	113.9%	\$ 43,350,578	(54.9)%
6/30/03	\$ 190,428,272	\$ 176,541,411	\$ (13,886,861)	107.9%	\$ 38,281,134	(36.3)%
6/30/04	\$ 177,780,361	\$ 179,043,484	\$ 1,263,123	99.3%	\$ 36,703,903	3.4%

Plan Description - VRS:

The City of Hampton, Component Unit - School Board, and HRHA contribute to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System).

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of credited service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) or at age 50 with 30 years of service for participating employers (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation.

Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the website at <http://www.varetire.org/pdf/2003AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

9. DEFINED BENEFIT PENSION PLANS, Continued:

Funding Policy - VRS:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The 5% member contribution has been assumed by the City of Hampton, the Component Unit - School Board, and HRHA. In addition, the City of Hampton and the Component Unit - School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City of Hampton's, Component Unit - School Board's nonprofessional employees, and HRHA's contribution rates for the fiscal year ended 2004 were 13.50%, 10.75%, and 10.75%, respectively. The Component Unit - School Board's contributions to VRS for professional employees for the fiscal years ending June 30, 2004, 2003, and 2002 of \$8,318,360 (8.77%), \$8,092,867 (8.77%), and \$7,527,219 (9.24%), respectively, were equal to the required contributions for each year.

Annual Pension Cost and Net Pension Obligation:

For 2004 the City of Hampton's, Component Unit - School Board's nonprofessional employees, and HRHA's annual pension cost and net pension obligation were as follows:

	<u>City of Hampton</u>	<u>Component Unit- School Board</u>	<u>HRHA</u>
Annual required contribution	\$ 9,261,600	\$ 470,069	\$ 215,875
Interest on net pension obligation	48		
Adjustment to annual required contribution	<u>(603)</u>	<u> </u>	<u> </u>
Annual pension cost	9,261,045	470,069	215,875
Contributions made	<u>(9,261,600)</u>	<u>(470,069)</u>	<u>(215,875)</u>
Decrease in net pension obligation	(555)		
Net pension obligation, July 1, 2003	<u>602</u>	<u> </u>	<u> </u>
Net pension obligation, June 30, 2004	<u>\$ 47</u>	<u>\$</u>	<u>\$</u>

The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions include (a) 8% investment rate of return, (b) projected salary increase of 4.25% to 6.10% per year, (c) cost of living adjustments for the Component Unit-School Board and HRHA of 3.0% per year and 3.0% for the City of Hampton. Both (a) and (b) included an inflation component of 3% for the Component Unit-School Board and 3% for the City of Hampton. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

Trend Information - VRS:

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>City of Hampton</u>	June 30, 2000	\$ 9,427,738	99.6%	\$ 1,642,031
	June 30, 2001	\$ 7,277,185	121.2%	\$ 98,850
	June 30, 2002	\$ 8,775,607	101.0%	\$ 7,710
	June 30, 2003	\$ 8,667,691	100.0%	\$ 602
	June 30, 2004	\$ 9,261,045	100.0%	\$ 47
<u>Component Unit- School Board</u>	June 30, 2000	\$ 638,871	100%	\$ —
	June 30, 2001	\$ 534,987	100%	\$ —
	June 30, 2002	\$ 487,543	100%	\$ —
	June 30, 2003	\$ 456,004	100%	\$ —
	June 30, 2004	\$ 470,069	100%	\$ —
<u>HRHA</u>	December 31, 1999	\$ 225,392	100%	\$ —
	December 31, 2000	\$ 228,980	100%	\$ —
	December 31, 2001	\$ 196,663	100%	\$ —
	December 31, 2002	\$ 235,057	100%	\$ —
	December 31, 2003	\$ 215,875	100%	\$ —

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

9. DEFINED BENEFIT PENSION PLANS, Concluded:

Funding Progress - VRS:

City of Hampton:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/96	\$ 117,952,480	\$ 146,115,061	\$ 28,162,581	80.7%	\$ 46,703,260	60.30%
6/30/98	\$ 158,997,419	\$ 191,565,228	\$ 32,567,809	83.0%	\$ 50,666,072	64.30%
6/30/99	\$ 182,835,831	\$ 214,674,739	\$ 31,838,908	85.2%	\$ 54,923,121	58.00%
6/30/00	\$ 211,382,274	\$ 224,968,461	\$ 13,586,187	94.0%	\$ 58,044,579	23.41%
6/30/01	\$ 232,379,871	\$ 243,900,202	\$ 11,520,331	95.3%	\$ 59,189,302	19.46%
6/30/02	\$ 239,128,739	\$ 264,577,425	\$ 25,448,686	90.4%	\$ 62,329,076	40.83%
6/30/03	\$ 240,538,972	\$ 288,026,339	\$ 47,487,367	83.5%	\$ 65,896,624	72.06%

Component Unit – School Board:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
6/30/96	\$ 8,864,213	\$ 11,401,956	\$ 2,537,743	77.7%	\$ 3,165,821	80.20%
6/30/98	\$ 11,694,145	\$ 13,624,037	\$ 1,929,892	85.8%	\$ 4,007,401	48.20%
6/30/99	\$ 13,383,352	\$ 14,353,431	\$ 970,079	93.2%	\$ 4,376,875	22.20%
6/30/00	\$ 15,286,909	\$ 14,174,421	\$ (1,112,488)	107.9%	\$ 4,325,130	(25.72%)
6/30/01	\$ 16,570,060	\$ 15,592,281	\$ (977,779)	106.3%	\$ 4,704,473	(20.78%)
6/30/02	\$ 16,716,954	\$ 16,576,442	\$ (140,512)	100.9%	\$ 4,868,287	(2.89%)
6/30/03	\$ 16,401,461	\$ 18,708,338	\$ 2,306,877	87.7%	\$ 5,861,114	39.36%

HRHA:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
6/30/96	\$ 4,615,434	\$ 4,878,201	\$ 262,767	94.6%	\$ 1,918,554	13.70%
6/30/98	\$ 6,216,516	\$ 5,923,322	\$ (293,194)	104.9%	\$ 1,953,655	(15.01%)
6/30/99	\$ 7,131,650	\$ 6,075,846	\$ (1,055,804)	117.4%	\$ 2,065,453	(51.10%)
6/30/00	\$ 8,252,008	\$ 6,078,423	\$ (2,173,585)	135.8%	\$ 2,130,044	(102.00%)
6/30/01	\$ 8,985,596	\$ 6,460,457	\$ (2,525,139)	139.1%	\$ 1,829,424	(138.03%)
6/30/02	\$ 9,119,645	\$ 7,475,450	\$ (1,644,195)	122.0%	\$ 2,186,850	(75.19%)
6/30/03	\$ 8,981,376	\$ 7,285,211	\$ (1,696,165)	123.3%	\$ 2,008,139	(84.46%)

10. DEFERRED COMPENSATION PLAN:

The City provides an approved deferred compensation plan, under Section 457 of the Internal Revenue Code, which is administered by the ICMA Retirement Corporation. All City employees are eligible to participate. The Internal Revenue Code requires that the plan assets and income attributed to those assets be held in trust for the exclusive benefit of the participants and/or beneficiaries. All amounts of employees' compensation deferred under the plan are deposited with the plan trustee, ICMA Retirement Corporation, for management and investment. The plan trustee holds all assets of the plan, maintains accounting of each plan participant's accumulated assets and makes distribution to participants in accordance with the plan document.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

11. JOINT VENTURE:

The Hampton Roads Regional Jail Authority (the Authority), a political subdivision of the Commonwealth of Virginia, was created through an agreement by the Cities of Hampton, Newport News, Norfolk and Portsmouth (the member jurisdictions). The Authority has the responsibility to finance the acquisition, construction, and operation of a regional jail facility for the benefit of the member jurisdictions. Each member jurisdiction is responsible for paying the Authority a per diem charge, as established in the Authority's annual budget, for the care, maintenance and subsistence of prisoners from the member jurisdictions. The member jurisdictions have agreed to commit to the Authority its prisoners equal to its initial guaranteed capacity as follows: Hampton, 175 prisoners or 20%; Newport News, 200 prisoners or 22.86%; Norfolk, 250 prisoners or 28.57%; Portsmouth, 250 prisoners or 28.57%. The Authority shall make adjustments to the per diem charge as and when necessary to reconcile projected revenues and expenditures to actual revenues and expenditures and to comply with any revenue or other covenant related to the Bonds.

The Authority opened the jail facility on March 16, 1998. Summarized financial information for the Authority for fiscal year ending June 30, 2004 is as follows:

Revenues and other sources	\$ 25,439,103
Expenditures and other uses	<u>(25,731,321)</u>
Change in fund equity	(292,218)
Fund equity, July 1, 2003	<u>28,400,264</u>
Fund equity, June 30, 2004	<u><u>\$ 28,108,046</u></u>

The revenue bonds issued by the Authority are limited obligations of the Authority payable solely from net revenues and other funds derived from the ownership and operation of the regional jail.

Separate financial statements are available from the Hampton Roads Regional Jail Authority at 2690 Elmhurst Lane, Portsmouth, Virginia 23701-2745.

12. COMMITMENTS AND CONTINGENCIES:

Grants: The City receives grant funds, principally from the U.S. government, for construction and various other programs. Expenditures from certain of these funds are subject to audit by the grantor, and the City is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the City, no material refunds will be required as a result of expenditures disallowed by grantors.

Leases: The City leases various types of equipment under capital lease agreements (see Note 8). Under an operating lease, the City leases the Pembroke Community Service Center building from the Hampton Redevelopment and Housing Authority at an annual rent of \$343,872. In addition, the City leases space under operating leases for use as branches of the City's public library. The City also leases various City property to other governmental agencies and businesses under operating lease agreements. The majority of these leases are cancelable within the next 12 months.

A summary of future minimum rental payments under the operating leases at June 30, 2004 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Future Rental Income</u>
2005	\$ 361,168	\$ 13,004
2006	351,546	13,394
2007	353,118	13,795
2008	201,647	9,379
2009	180,000	
2010 – 2014	900,000	
2015	180,000	
	<u>\$ 2,527,479</u>	<u>\$ 49,572</u>

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

12. COMMITMENTS AND CONTINGENCIES, Continued:

The City's rental expense and rental income for the year ended June 30, 2004 amounted to \$1,699,512 and \$170,437, respectively.

The City has entered into several agreements relating to development projects along the downtown waterfront. These agreements involve commitments by the City to make certain loan principal and interest payments, capital expenditures, including land acquisition and site improvements, to induce private development on the waterfront. Substantially all of these amounts have been appropriated in the Economic Development Fund.

The City has entered into several three-party agreements with the Hampton Redevelopment and Housing Authority (HRHA) and private developers related to specific development projects. The City's expenditures related to these projects are reflected in the General Fund. These projects involve future lease commitments by the City. Those commitments are as follows:

Harbour Center - \$505,401 annually for the lease of a garage facility through 2018. (A portion of the garage lease payments will be offset by fees charged for parking.)

A summary of future minimum rent payments under the operating lease at June 30, 2004 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 505,401
2006	505,401
2007	505,401
2008	505,401
2009	505,401
2010 – 2014	2,527,005
2015 – 2018	<u>2,021,604</u>
	<u>\$ 7,075,614</u>

Self-Insurance: The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established a Risk Management Fund (internal service fund) to account for and finance its uninsured risks of loss except for medical claims which are accounted for in the General Fund.

The City and the Hampton City Schools are self-insured for a portion of its risks up to the following self-insured levels per occurrence:

	<u>City</u>	<u>Hampton City Schools</u>
Workers' Compensation	\$ 500,000	\$ 500,000
General Liability	1,000,000	1,000,000 (Auto)
Property Coverage	50,000	100,000
Medical Claims	100,000 per person/ plan year	

The City purchases commercial insurance for claims in excess of coverage provided by the Funds and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

All funds of the City participate in the program and make payments to the Risk Management and General Funds based on historical cost information. The unrestricted net assets of \$5,015,373 at June 30, 2004 are designated as a reserve for claims in the Risk Management Fund. The City accrues claims and judgments as incurred by a review of all claims on a case-by-case basis. Claims incurred, but not reported, were considered in the determination of the claims liability. Changes in the Funds' claims liability amount in fiscal years 2004, 2003, and 2002 were:

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

12. COMMITMENTS AND CONTINGENCIES, Concluded

	<u>Claims Liability July 1</u>	<u>Incurred Claims</u>	<u>Claim Payments</u>	<u>Claims Liability June 30</u>
<u>Risk Management Fund</u>				
Fiscal Year 2004	\$ 2,264,784	\$ 472,283	\$ 1,633,891	\$ 1,013,176
Fiscal Year 2003	\$ 2,514,049	\$ 848,914	\$ 1,098,179	\$ 2,264,784
Fiscal Year 2002	\$ 1,459,567	\$ 1,625,417	\$ 570,935	\$ 2,514,049
	<u>Claims Liability July 1</u>	<u>Incurred Claims</u>	<u>Claim Payments</u>	<u>Claims Liability June 30</u>
<u>General Fund</u>				
Fiscal Year 2004	\$ 506,215	\$ 9,756,509	\$ 9,879,316	\$ 383,408
Fiscal Year 2003	\$ 372,120	\$ 8,560,132	\$ 8,426,037	\$ 506,215
Fiscal Year 2002	\$ 106,360	\$ 6,959,256	\$ 6,693,496	\$ 372,120

Various claims and lawsuits are pending against the City. In the opinion of City management, the resolutions of these cases would not involve a substantial liability to the City.

Letters of Credit: SunTrust Bank issued two Standby Letters of Credit totaling \$5,000,000 on the behalf of the IDA in connection with its commitment under certain agreements for the development of the Bass Pro Project. The City has agreed to pay the bank upon each drawing by the beneficiary under the Letters of Credit. During the fiscal year ended June 30, 2004, no draws were made under the Letters of Credit.

13. **SURETY BONDS:**

The City maintained the following surety bond coverage on certain employees during the fiscal year ended June 30, 2004:

<u>Official Covered</u>	<u>Description</u>	<u>Amount</u>
Darling Stadium trustees	Gulf – Trustee Liability Coverage	\$2,000,000 aggregate
School assigned nurses	St. Paul Fire and Marine Nurses Professional Liability Coverage	\$1,000,000 aggregate
City Treasurer	National Grange Mutual Insurance Company	\$600,000 per occurrence for City Funds

The Commonwealth of Virginia maintained a Faithful Performance of Duty bond on Constitutional Officers pursuant to Sections 2.2-1840 and 15.2-1527 of the *Code of Virginia*. The coverage on the Treasurer does not extend to the loss of any City funds.

<u>Official Covered</u>	<u>Description</u>	<u>Amount</u>
Treasurer	Commonwealth of Virginia Faithful Performance of Duty Bond	\$1,500,000
Commissioner of Revenue	Commonwealth of Virginia Faithful Performance of Duty Bond	\$3,000
Clerk of the Circuit Court	Commonwealth of Virginia Faithful Performance of Duty Bond	\$3,000,000
Sheriff	Commonwealth of Virginia Faithful Performance of Duty Bond	\$30,000

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2004

14. POST RETIREMENT HEALTH CARE BENEFITS:

In addition to the pension benefits described in Note 9, the City and HRHA provides post-retirement health care benefits, in accordance with the City's Personnel Policies and Procedures Ordinance, to all full-time, salaried permanent employees and public safety officers who retire from the City on or after attaining age 55 and 50, respectively, with at least 5 years of service, as well as to employees who qualify for a disability retirement. Currently, 529 City retirees and 13 HRHA retirees meet these eligibility requirements. The employer's contribution ranges from 0% to 88% of the premiums based on the retiree's years of continuous health care coverage and the health care option selected by the retirees. The employer's contributions are financed on a pay-as-you-go basis. During fiscal year 2004, expenditures of \$1,518,716 and \$47,194 for the City and HRHA, respectively, were recognized for post-retirement health care benefits.

15. LEASE RECEIVABLES:

The IDA issued Revenue Bonds (Note 8) to improve land and buildings used by Whitney Rand Corporation and to construct the Peninsula Workforce Development Center (PWDC). Under terms of agreements with these organizations, revenues generated from the lease of the buildings are used to make the bond payments with the lease term being equivalent to the life of the bond. As of June 30, 2004 future lease receivables are \$2,293,113 from Whitney Rand and \$16,831,008 from PWDC. The minimum lease payments for the next five years are:

<u>Year Ending June 30,</u>	<u>Whitney Rand</u>	<u>PWDC</u>
2005	\$ 165,488	\$ 990,059
2006	165,488	990,059
2007	165,488	990,059
2008	165,488	990,059
2009	165,488	990,059

Upon completion of PWDC, \$825,550 in unearned interest income was used to offset direct costs. This amount will be allocated over the life of the lease at \$41,091 per year. There is no contingent rental associated with these leases.

GENERAL FUND



**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
BALANCE SHEET
June 30, 2004**

Exhibit B-1

ASSETS

Cash and cash equivalents	\$ 39,789,862
Investments	7,921,613
Accounts receivables:	
Taxes (net of allowance for uncollectibles of \$2,664,448)	7,312,854
Due from other governments	5,225,348
Other	1,286,182
Due from other funds	8,576,159
Due from component units	348
Inventories	<u>112,006</u>
Total assets	<u>\$ 70,224,372</u>

LIABILITIES AND FUND BALANCES

Liabilities:	
Accounts payable	\$ 4,976,797
Accrued health insurance	1,186,903
Claims payable	383,408
Accrued liabilities	1,644,438
Deferred revenue	6,209,529
Due to other funds	10,930,700
Due to component units	<u>367,711</u>
Total liabilities	<u>25,699,486</u>
Fund balances:	
Reserved for:	
Encumbrances	1,501,836
Courthouse maintenance	308,000
Hazmat	9,473
Unreserved:	
Designated for succeeding year	14,183,107
Undesignated	<u>28,522,470</u>
Total fund balances	<u>44,524,886</u>
Total liabilities and fund balances	<u>\$ 70,224,372</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2004

Exhibit B-2

	Budget July 1, 2003	Net Changes	Final June 30, 2004	Actual	Variance Over (Under)
General property taxes:					
Real estate	\$ 75,088,026	\$ -	\$ 75,088,026	\$ 78,594,385	\$ 3,506,359
Real estate BID	471,064		471,064	552,683	81,619
Public service	3,401,863		3,401,863	3,281,765	(120,098)
Personal property	29,556,679		29,556,679	29,078,416	(478,263)
Mobile homes	35,000		35,000	33,508	(1,492)
Machinery and tools	2,074,391		2,074,391	1,885,903	(188,488)
Delinquent taxes	1,050,000		1,050,000	1,632,907	582,907
Penalty	1,300,000	-	1,300,000	1,325,238	25,238
Total	112,977,023	-	112,977,023	116,384,805	3,407,782
Other local taxes:					
Utility - cable television	1,156,730		1,156,730	1,837,599	680,869
Utility - telephone	2,897,482		2,897,482	2,772,115	(125,367)
Utility - electric and gas	4,688,263		4,688,263	5,113,416	425,153
Utility - cellular phone	1,635,900		1,635,900	1,928,741	292,841
Tobacco	4,585,000		4,585,000	4,566,857	(18,143)
Business license	10,033,960		10,033,960	10,434,465	400,505
Short-term rental	141,272		141,272	97,193	(44,079)
Sales and use	12,120,964		12,120,964	12,218,035	97,071
Recordation	715,218		715,218	929,850	214,632
Lodging and transit	2,648,644		2,648,644	2,597,428	(51,216)
Amusement	1,325,508		1,325,508	1,220,600	(104,908)
Meal	11,183,419		11,183,419	11,325,120	141,701
Motor vehicle	2,837,985		2,837,985	2,842,018	4,033
Bank stock	355,810		355,810	304,031	(51,779)
License tax - pari-mutual	112,067	-	112,067	120,350	8,283
Total	56,438,222	-	56,438,222	58,307,818	1,869,596
License permits and privilege fees:					
Animal licenses	14,945		14,945	14,829	(116)
Street and taxi permits	52,000		52,000	62,982	10,982
Zoning and land use	663,492		663,492	813,116	149,624
Building permits	1,021,470		1,021,470	754,683	(266,787)
Miscellaneous	9,600	-	9,600	16,520	6,920
Total	1,761,507	-	1,761,507	1,662,130	(99,377)
Fines and forfeitures - total	1,262,814	-	1,262,814	1,637,574	374,760

	Budget July 1, 2003	Net Changes	Final June 30, 2004	Actual	Variance Over (Under)
Revenue from use of money and property:					
Interest on investments	\$ 1,000,000	\$ -	\$ 1,000,000	\$ 309,098	\$ (690,902)
Rental of property	97,308		97,308	92,655	(4,653)
Sale of materials and supplies	63,912		63,912	66,348	2,436
Vending machine commissions	7,100		7,100	11,335	4,235
Parking fees	122,865		122,865	126,013	3,148
Net decrease in fair value of investments	-	-	-	(7,260)	(7,260)
Total	1,291,185	-	1,291,185	598,189	(692,996)
Charges for services:					
Fees:					
Court costs				1,018	1,018
Clerk	105,000		105,000	441,630	336,630
Court officers	25,000		25,000	27,647	2,647
Recreation	1,420,290		1,420,290	1,450,796	30,506
Sheriff	165,000		165,000	90,281	(74,719)
Legal services	7,200		7,200	7,200	
Library	73,121		73,121	72,975	(146)
Miscellaneous	7,500		7,500	25,397	17,897
Ambulance services	748,000		748,000	74,449	(673,551)
Landfill host fees	383,000	-	383,000	671,160	288,160
Total	2,934,111	-	2,934,111	2,862,553	(71,558)
Miscellaneous revenue:					
Payment in lieu of taxes	79,155		79,155	55,051	(24,104)
Returned check charges	14,300		14,300	9,769	(4,531)
Unemployment fees	12,800		12,800	5,864	(6,936)
School reimbursement	858,000		858,000	705,980	(152,020)
Indirect cost	1,074,470		1,074,470	1,039,470	(35,000)
Other	100,000	-	100,000	250,089	150,089
Total	2,138,725	-	2,138,725	2,066,223	(72,502)
Recovered costs:					
Jail operation	834,214		834,214	1,184,323	350,109
Probation	16,500		16,500	8,898	(7,602)
Police	6,060,029		6,060,029	6,085,592	25,563
NASA fire services	814,875		814,875	837,011	22,136
Miscellaneous	150,000	-	150,000	975,926	825,926
Total	7,875,618	-	7,875,618	9,091,750	1,216,132

(Continued)

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND**

Exhibit B-2

**SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL, Concluded
Fiscal Year Ended June 30, 2004**

	Budget July 1, 2003	Net Changes	Final June 30, 2004	Actual	Variance Over (Under)
Noncategorical aid - state:					
ABC profits	\$ 85,853	\$ -	\$ 85,853	\$ 223,319	\$ 137,466
Wine taxes	89,991		89,991	138,426	48,435
Vehicle rental tax	289,043		289,043	328,484	39,441
Mobile home titling tax	20,000		20,000	17,679	(2,321)
Tax on deeds	377,507	-	377,507	301,097	(76,410)
Total	862,394	-	862,394	1,009,005	146,611
Shared expenses - state:					
Sheriff	6,220,883		6,220,883	5,763,476	(457,407)
Commonwealth Attorney	1,067,302		1,067,302	1,025,472	(41,830)
Commissioner of Revenue	259,814		259,814	268,178	8,364
Treasurer	262,596		262,596	267,918	5,322
Registrar - election board	58,447		58,447	52,627	(5,820)
Medical examinations	3,000	-	3,000	3,360	360
Total	7,872,042	-	7,872,042	7,381,031	(491,011)
Categorical aid - state:					
Public assistance	4,596,919		4,596,919	3,775,599	(821,320)
Street and highway maintenance	9,833,826		9,833,826	10,360,430	526,604
Public library books	214,432		214,432	207,144	(7,288)
Virginia juvenile block grant	441,197		441,197	439,802	(1,395)
Healthy start program	358,000	-	358,000	368,899	10,899
Total	15,444,374	-	15,444,374	15,151,874	(292,500)
Categorical aid - federal:					
Pass thru - public assistance	8,292,206		8,292,206	9,637,414	1,345,208
Pass thru - Foster Care Prevention and Preplacement	888,000		888,000	415,718	(472,282)
Pass thru - Federal Emergency Management Civil Preparedness	38,608	-	38,608	138,418	99,810
Total	9,218,814	-	9,218,814	10,191,550	972,736
Noncategorical aid - federal indirect costs - total	218,000	50,000	268,000	281,425	13,425
Total revenues	220,294,829	50,000	220,344,829	226,625,927	6,281,098

	Budget July 1, 2003	Net Changes	Final June 30, 2004	Actual	Variance Over (Under)
Other credits:					
Golf & Tennis - transfer	-	-	-	75,000	75,000
Total transfers	-	-	-	75,000	75,000
Total revenues and transfers	220,294,829	50,000	220,344,829	226,700,927	6,356,098
Appropriations from fund balance	\$ 1,551,000	15,153,862	16,704,862	16,704,862	-
Appropriations - encumbrances	-	909,516	909,516	909,516	-
Total appropriations	1,551,000	16,063,378	17,614,378	17,614,378	-
Total revenues and other credits	\$ 221,845,829	\$ 16,113,378	\$ 237,959,207	\$ 244,315,305	\$ 6,356,098

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
Fiscal Year Ended June 30, 2004**

Exhibit B-3

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2003	Net Changes	Final June 30, 2004	Personal Services	Other Expenses	Capital Outlay	Total	
General Government:								
Legislative:								
Municipal Council	\$ 621,210	\$ 11,299	\$ 632,509	\$ 328,865	\$ 103,458	\$ 136,990	\$ 569,313	\$ 63,196
Legislative - Total	621,210	11,299	632,509	328,865	103,458	136,990	569,313	63,196
Executive:								
City Manager	748,948	111,174	860,122	715,696	89,758	16,679	822,133	37,989
Budget and Analysis	276,394	21,391	297,785	240,639	25,540	2,082	268,261	29,524
Marketing and Communications	341,245	47,068	388,313	301,580	38,439	3,210	343,229	45,084
Citizens Unity Commission	166,099	84,358	250,457	90,923	61,175	5,145	157,243	93,214
311 Call Center	442,677	79,140	521,817	423,825	47,208	14,572	485,605	36,212
Executive - Total	1,975,363	343,131	2,318,494	1,772,663	262,120	41,688	2,076,471	242,023
City Attorney:								
Law - City Attorney	766,296	70,118	836,414	730,264	94,203	-	824,467	11,947
City Attorney - Total	766,296	70,118	836,414	730,264	94,203	-	824,467	11,947
Human Resources - Total	550,856	79,706	630,562	457,165	74,078	9,246	540,489	90,073
Judicial:								
Clerk of Courts	708,770	22,421	731,191	536,197	113,878	34,884	684,959	46,232
Circuit Court	341,420	27,846	369,266	193,492	31,915	6,864	232,271	136,995
General District Court	196,121	42,175	238,296	66,723	161,555		228,278	10,018
District Court - J.D.R.	56,919	4,044	60,963		44,729	11,486	56,215	4,748
Commonwealth Attorney	1,142,803	21,674	1,164,477	1,001,673	88,383	15,737	1,105,793	58,684
City Sheriff - Administration	1,480,219	(52,275)	1,427,944	1,208,537	168,586		1,377,123	50,821
City Sheriff - Jail	5,772,941	57,562	5,830,503	3,180,372	2,308,015	112,041	5,600,428	230,075
Court Service Unit	1,793,341	(315)	1,793,026	82,250	1,412,530	950	1,495,730	297,296
Judicial - Subtotal	11,492,534	123,132	11,615,666	6,269,244	4,329,591	181,962	10,780,797	834,869
Less amount reflected as transfers	-	(1,666)	(1,666)	-	(1,666)	-	(1,666)	-
Judicial - Total	11,492,534	121,466	11,614,000	6,269,244	4,327,925	181,962	10,779,131	834,869

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2003	Net Changes	Final June 30, 2004	Personal Services	Other Expenses	Capital Outlay	Total	
General Government, continued:								
Boards and Commissions:								
Planning Commission	\$ 762,231	\$ 97,604	\$ 859,835	\$ 694,488	\$ 66,631	\$ 17,107	\$ 778,226	\$ 81,609
Elections Board	179,530	(1,665)	177,865	80,380	24,136	1,285	105,801	72,064
Registrar	205,354	43,071	248,425	172,336	14,759	2,449	189,544	58,881
Development	659,463	140,829	800,292	424,491	174,259	16,363	615,113	185,179
Neighborhood Services	538,269	35,412	573,681	396,233	115,579	4,327	516,139	57,542
Boards and Commissions - Subtotal	2,344,847	315,251	2,660,098	1,767,928	395,364	41,531	2,204,823	455,275
Less amount reflected as transfers	(40,400)	-	(40,400)	-	(18,758)	-	(18,758)	(21,642)
Boards and Commissions - Total	2,304,447	315,251	2,619,698	1,767,928	376,606	41,531	2,186,065	433,633
Agriculture - Extension Agent - Total	98,847	35,595	134,442	50,136	26,845	-	76,981	57,461
Nondepartmental:								
Nondepartmental	11,682,460	2,401,542	14,084,002	244,604	9,689,494	790,304	10,724,402	3,359,600
Civic and community support	499,907	29,100	529,007	-	524,990	-	524,990	4,017
Nondepartmental - Subtotal	12,182,367	2,430,642	14,613,009	244,604	10,214,484	790,304	11,249,392	3,363,617
Less amount reflected as transfers	(288,669)	(619,420)	(908,089)	-	(784,175)	-	(784,175)	(123,914)
Nondepartmental - Total	11,893,698	1,811,222	13,704,920	244,604	9,430,309	790,304	10,465,217	3,239,703
Finance:								
Commissioner of Revenue	1,015,471	62,276	1,077,747	908,802	159,818	7,774	1,076,394	1,353
Assessment	657,830	40,039	697,869	598,309	88,443	9,344	696,096	1,773
City Treasurer	1,109,792	33,069	1,142,861	668,862	405,254	61,076	1,135,192	7,669
Procurement	374,942	56,267	431,209	369,076	34,971	9,157	413,204	18,005
Independent Auditors	134,374	22,716	157,090	-	100,916	-	100,916	56,174
Finance	921,225	228,485	1,149,710	760,401	70,536	13,152	844,089	305,621
Information Services	1,680,626	473,798	2,154,424	1,129,918	466,719	202,365	1,799,002	355,422
Finance - Total	5,894,260	916,650	6,810,910	4,435,368	1,326,657	302,868	6,064,893	746,017

(Continued)

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES, Continued
Fiscal Year Ended June 30, 2004**

Exhibit B-3

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2003	Net Changes	Final June 30, 2004	Personal Services	Other Expenses	Capital Outlay	Total	
General Government, concluded: Retirement and Employee Benefits - Total	\$ 23,633,753	\$ (3,858,820)	\$ 19,774,933	\$ 1,222,660	\$ 17,548,432	\$ -	\$ 18,771,092	\$ 1,003,841
Public Works:								
Administration	348,039	407,587	755,626	362,026	151,012	100,883	613,921	141,705
Engineering	845,130	49,912	895,042	781,381	93,427	4,286	879,094	15,948
Property Maintenance	3,157,958	268,708	3,426,666	1,017,848	2,251,179	77,753	3,346,780	79,886
Parking Facilities	784,076	14,637	798,713	18,092	687,929	-	706,021	92,692
Public Works - Total	5,135,203	740,844	5,876,047	2,179,347	3,183,547	182,922	5,545,816	330,231
General Government - Total	64,366,467	586,462	64,952,929	19,458,244	36,754,180	1,687,511	57,899,935	7,052,994
Public Safety:								
Police Division	15,755,407	929,613	16,685,020	13,375,332	2,975,049	40,749	16,391,130	293,890
Traffic Engineering	2,497,689	181,320	2,679,009	732,721	1,891,622	45,774	2,670,117	8,892
Fire Division	12,296,956	566,682	12,863,638	10,896,094	1,505,320	292,627	12,694,041	169,597
Codes Compliance	1,523,916	95,640	1,619,556	1,295,360	317,723	1,139	1,614,222	5,334
Animal Control	335,981	900	336,881	-	335,981	-	335,981	900
Public Safety - Subtotal	32,409,949	1,774,155	34,184,104	26,299,507	7,025,695	380,289	33,705,491	478,613
Less amount reflected as transfers	-	(14,589)	(14,589)	-	(21,362)	-	(21,362)	6,773
Public Safety - Total	32,409,949	1,759,566	34,169,515	26,299,507	7,004,333	380,289	33,684,129	485,386
Highways and Streets - Total	2,297,785	(30,625)	2,267,160	952,233	1,201,333	57,104	2,210,670	56,490

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2003	Net Changes	Final June 30, 2004	Personal Services	Other Expenses	Capital Outlay	Total	
Health:								
Preventive Medicine	\$ 1,379,528	\$ 161,515	\$ 1,541,043	\$ -	\$ 1,379,528	\$ 75,998	\$ 1,455,526	\$ 85,517
Drainage Maintenance	1,570,584	40,114	1,610,698	818,551	773,332	13,159	1,605,042	5,656
Health - Total	2,950,112	201,629	3,151,741	818,551	2,152,860	89,157	3,060,568	91,173
Social Services:								
Administration	6,792,280	1,061,986	7,854,266	5,301,743	2,407,693	144,830	7,854,266	-
Employment Services	1,327,799	(141,669)	1,186,130	853,188	332,919	-	1,186,107	23
Public Assistance	546,441	(9,707)	536,734		534,805		534,805	1,929
Purchase of Services	4,997,091	363,152	5,360,243		5,360,243		5,360,243	-
Prevention/Early Intervention Services		497,085	497,085		223,504	-	223,504	273,581
Emergency Fuel	41,078	4,591	45,669	41,963	3,705		45,668	1
Food Stamps	81,634	8,307	89,941	63,514	26,427	-	89,941	-
VISTA	885,264	-	885,264	266,598	295,329	13,768	575,695	309,569
Healthy Families Partnership	2,797,000	52,212	2,849,212	2,325,802	475,794	41,479	2,843,075	6,137
Coalition for Youth	443,702	77,071	520,773	163,779	266,834	4,697	435,310	85,463
Social Services - Total	17,912,289	1,913,028	19,825,317	9,016,587	9,927,253	204,774	19,148,614	676,703
Culture and Recreation:								
Recreation	3,380,477	872,090	4,252,567	2,854,845	1,139,784	123,401	4,118,030	134,537
Parks	4,543,810	200,304	4,744,114	2,647,320	1,928,757	119,920	4,695,997	48,117
Conventions and Tourism	2,683,812	311,244	2,995,056	895,435	1,688,497	49,973	2,633,905	361,151
The Hamptons	455,000	-	455,000	-	455,000	-	455,000	-
Culture and Recreation - Subtotal	11,063,099	1,383,638	12,446,737	6,397,600	5,212,038	293,294	11,902,932	543,805
Less amount reflected as transfers	(455,000)	-	(455,000)	-	(485,000)	-	(485,000)	30,000
Culture and Recreation - Total	10,608,099	1,383,638	11,991,737	6,397,600	4,727,038	293,294	11,417,932	573,805

(Continued)

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES, Concluded
Fiscal Year Ended June 30, 2004

Exhibit B-3

	Appropriations			Expenditures				Variance
	Budget July 1, 2003	Net Changes	Final June 30, 2004	Personal Services	Other Expenses	Capital Outlay	Total	Under (Over)
Education:								
School Operations	\$ 54,321,269	\$ -	\$ 54,321,269	\$ -	\$ 54,321,269	\$ -	\$ 54,321,269	\$ -
Public Library	<u>2,086,971</u>	<u>140,961</u>	<u>2,227,932</u>	<u>1,461,579</u>	<u>681,669</u>	<u>4,373</u>	<u>2,147,621</u>	<u>80,311</u>
Education - Subtotal	56,408,240	140,961	56,549,201	1,461,579	55,002,938	4,373	56,468,890	80,311
Less amount reflected as transfers	<u>(54,321,269)</u>	<u>(1,019)</u>	<u>(54,322,288)</u>	<u>-</u>	<u>(54,322,267)</u>	<u>-</u>	<u>(54,322,267)</u>	<u>(21)</u>
Education - Total	<u>2,086,971</u>	<u>139,942</u>	<u>2,226,913</u>	<u>1,461,579</u>	<u>680,671</u>	<u>4,373</u>	<u>2,146,623</u>	<u>80,290</u>
Total expenditures	<u>132,631,672</u>	<u>5,953,640</u>	<u>138,585,312</u>	<u>64,404,301</u>	<u>62,447,668</u>	<u>2,716,502</u>	<u>129,568,471</u>	<u>9,016,841</u>
Operating Transfers Out:								
Capital Projects Funds	6,360,862	8,021,208	14,382,070		8,806,218		8,806,218	5,575,852
Enterprise Funds	7,343,768		7,343,768		7,343,768		7,343,768	
Special Revenue Funds	2,182,410	636,694	2,819,104		2,416,669		2,416,669	402,435
Component Unit - IDA	40,400	437,422	477,822		406,961		406,961	70,861
Component Unit - School Board	54,321,269		54,321,269		54,321,269		54,321,269	
Debt Service Funds	<u>18,965,448</u>	<u>(437,422)</u>	<u>18,528,026</u>	<u>-</u>	<u>18,064,194</u>	<u>-</u>	<u>18,064,194</u>	<u>463,832</u>
Transfers - Total	<u>89,214,157</u>	<u>8,657,902</u>	<u>97,872,059</u>	<u>-</u>	<u>91,359,079</u>	<u>-</u>	<u>91,359,079</u>	<u>6,512,980</u>
Total expenditures and transfers	<u>\$ 221,845,829</u>	<u>\$ 14,611,542</u>	<u>\$ 236,457,371</u>	<u>\$ 64,404,301</u>	<u>\$ 153,806,747</u>	<u>\$ 2,716,502</u>	<u>\$ 220,927,550</u>	<u>\$ 15,529,821</u>

The accompanying notes are an integral part of the financial statements.

NON-MAJOR GOVERNMENTAL FUNDS



**CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2004**

Exhibit C-1

	Special Revenue							Permanent Fund	
	Federal Grants	Community Development	EXCEL	Enhanced Emergency Telephone Service	Stormwater Management	Pembroke Complex	Law Library	Pearl I. Young	Total Non-major Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 3,379,193	\$ 752,515	\$ 200	\$ 293,114	\$ 4,020,156	\$ 456,382	\$ 108,668	\$ 59,261	\$ 9,069,489
Accounts receivables:									
Due from other governments	3,882,202	123,500							4,005,702
Other	37	2,783	300,582	190,590	250,465		34	17	744,508
Notes receivable		70,586							70,586
Due from other funds	1,081,261	-	-	-	-	-	-	-	1,081,261
Total assets	<u>\$ 8,342,693</u>	<u>\$ 949,384</u>	<u>\$ 300,782</u>	<u>\$ 483,704</u>	<u>\$ 4,270,621</u>	<u>\$ 456,382</u>	<u>\$ 108,702</u>	<u>\$ 59,278</u>	<u>\$ 14,971,546</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 1,189,481	\$ 78,369	\$ 45,481	\$ 3,089	\$ 37,700	\$ 88,915	\$ 3,662	\$ -	\$ 1,446,697
Accrued liabilities	44,136	2,785	5,889	25,894	15,875	850	67		95,496
Deferred revenue	4,130,327	840,508	42,732		250,465				5,264,032
Due to other funds	2,963,965	27,722	135,836	306,335	255,405	4,205	224		3,693,692
Due to component units	14,784	-	-	-	-	-	-	-	14,784
Total liabilities	<u>8,342,693</u>	<u>949,384</u>	<u>229,938</u>	<u>335,318</u>	<u>559,445</u>	<u>93,970</u>	<u>3,953</u>	<u>-</u>	<u>10,514,701</u>
Fund balances:									
Unreserved:									
Designated for:									
Specific projects			70,844			362,412	104,749	59,278	597,283
E911 system				148,386					148,386
Undesignated	-	-	-	-	3,711,176	-	-	-	3,711,176
Total fund balances	<u>-</u>	<u>-</u>	<u>70,844</u>	<u>148,386</u>	<u>3,711,176</u>	<u>362,412</u>	<u>104,749</u>	<u>59,278</u>	<u>4,456,845</u>
Total liabilities and fund balances	<u>\$ 8,342,693</u>	<u>\$ 949,384</u>	<u>\$ 300,782</u>	<u>\$ 483,704</u>	<u>\$ 4,270,621</u>	<u>\$ 456,382</u>	<u>\$ 108,702</u>	<u>\$ 59,278</u>	<u>\$ 14,971,546</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2004

Exhibit C-2

	Special Revenue						Permanent Fund	Total Non-major Governmental Funds
	Federal Grants	Community Development	EXCEL	Enhanced Emergency Telephone Service	Stormwater Management	Pembroke Complex	Law Library	Pearl I. Young
Revenues:								
Other local taxes	\$ -	\$ -	\$ 1,230,144	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:								
From the Commonwealth of Virginia	10,358,561		5,000	364,837				
From the Federal government	18,328,241	1,789,845						
From other local governments	3,122,401							
Revenues from use of money and property	541		11,963			371,872	614	271
Charges for services					3,913,533			
Miscellaneous	518,356	593,414	448,377	2,160,011	29,918	-	54,918	-
Total revenues	32,328,100	2,383,259	1,695,484	2,524,848	3,943,451	371,872	55,532	271
Expenditures:								
Current:								
General government	23,204,810	2,383,259	545,970	3,135,126		435,523	61,350	
Public safety	5,502,184							
Sanitation					2,369,549			
Social services	5,686,965							
Culture and recreation	237,664		1,343,844					
Education	-	-	-	-	-	-	-	-
Total expenditures	34,631,623	2,383,259	1,889,814	3,135,126	2,369,549	435,523	61,350	-
Excess of revenues over (under) expenditures	(2,303,523)	-	(194,330)	(610,278)	1,573,902	(63,651)	(5,818)	271
Other financing sources (uses):								
Transfers in	2,303,523		169,646					
Transfers out	-	-	(1,500)	-	(1,012,513)	-	-	-
Net other financing sources (uses)	2,303,523	-	168,146	-	(1,012,513)	-	-	-
Net change in fund balances			(26,184)	(610,278)	561,389	(63,651)	(5,818)	271
Fund balances, beginning of year	-	-	97,028	758,664	3,149,787	426,063	110,567	59,007
Fund balances, end of year	\$ -	\$ -	\$ 70,844	\$ 148,386	\$ 3,711,176	\$ 362,412	\$ 104,749	\$ 59,278

The accompanying notes are an integral part of the financial statements.

NON-MAJOR ENTERPRISE FUNDS



**CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2004**

Exhibit D-1

	Business-Type Activities - Non-major Enterprise Funds			
	Coliseum	Golf and Tennis Center	Solid Waste	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,898,547	\$ 835	\$ 1,563,594	\$ 6,462,976
Accounts receivable	70,862	6,333	1,136,170	1,213,365
Due from other funds	10,373	1,891	75,709	87,973
Due from component units			10,971	10,971
Inventories	<u>34,160</u>	<u>24,077</u>	<u>-</u>	<u>58,237</u>
Total current assets	<u>5,013,942</u>	<u>33,136</u>	<u>2,786,444</u>	<u>7,833,522</u>
Capital assets				
Land and improvements	164,079	2,295,538	4,811,174	7,270,791
Buildings and improvements	12,676,274	1,047,464		13,723,738
Improvements other than buildings	1,453,933	774,823	2,971	2,231,727
Equipment	1,073,082	547,155	8,499,525	10,119,762
Construction in progress	311,702			311,702
Less accumulated depreciation	<u>(10,752,157)</u>	<u>(1,423,706)</u>	<u>(9,300,939)</u>	<u>(21,476,802)</u>
Net capital assets	<u>4,926,913</u>	<u>3,241,274</u>	<u>4,012,731</u>	<u>12,180,918</u>
Total assets	<u>\$ 9,940,855</u>	<u>\$ 3,274,410</u>	<u>\$ 6,799,175</u>	<u>\$ 20,014,440</u>

Business-Type Activities - Non-major Enterprise Funds				
	Coliseum	Golf and Tennis Center	Solid Waste	Totals
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 232,349	\$ 12,765	\$ 396,629	\$ 641,743
Accrued leave	81,254	22,990	162,839	267,083
Due to other funds	40,524	510,032	214,588	765,144
Deferred revenue	38,689			38,689
Current portion of long-term debt		32,436	93,000	125,436
Other liabilities	<u>28,687</u>	<u>14,438</u>	<u>22,674</u>	<u>65,799</u>
Total current liabilities	421,503	592,661	889,730	1,903,894
Notes payable			93,000	93,000
Obligations under capital leases	<u>-</u>	<u>83,867</u>	<u>-</u>	<u>83,867</u>
Total liabilities	<u>421,503</u>	<u>676,528</u>	<u>982,730</u>	<u>2,080,761</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,926,913	3,124,971	3,826,731	11,878,615
Unrestricted	<u>4,592,439</u>	<u>(527,089)</u>	<u>1,989,714</u>	<u>6,055,064</u>
Total net assets	<u>9,519,352</u>	<u>2,597,882</u>	<u>5,816,445</u>	<u>17,933,679</u>
Total liabilities and net assets	<u>\$ 9,940,855</u>	<u>\$ 3,274,410</u>	<u>\$ 6,799,175</u>	<u>\$ 20,014,440</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Fiscal Year Ended June 30, 2004

	Business-Type Activities - Non-major Enterprise Funds			
	Coliseum	Golf and Tennis Center	Solid Waste	Totals
Operating revenues:				
Charges for services	\$ 8,099,419	\$ 812,202	\$ 8,415,030	\$ 17,326,651
Total operating revenues	8,099,419	812,202	8,415,030	17,326,651
Operating expenses:				
Personal services	1,122,965	437,523	2,051,557	3,612,045
Fringe benefits	272,354	98,760	622,961	994,075
Promoters' fees	3,679,339			3,679,339
City-sponsored events	780,762			780,762
Cost of goods sold	160,382	49,085		209,467
Utilities	253,944	34,061	748	288,753
Insurance	122,521	11,447	123,452	257,420
Operating supplies	323,709	92,931	149,098	565,738
Equipment rental	20,024	28,829	460	49,313
Equipment and building repairs	145,886	33,285	841,747	1,020,918
Telephone and postage	31,197	8,098	4,602	43,897
Amusement tax	580,818			580,818
General expense	216,860	3,131	64,641	284,632
Claims				
Landfill costs			3,418,214	3,418,214
Contractual services	35,428	40,957	508,376	584,761
Indirect cost	120,000		356,470	476,470
Housing assistance payments				
Depreciation and amortization	452,371	108,901	861,606	1,422,878
Total operating expenses	8,318,560	947,008	9,003,932	18,269,500
Operating income (loss)	(219,141)	(134,806)	(588,902)	(942,849)
Nonoperating revenues (expenses):				
Interest income				
Interest and fiscal charges		(5,212)	(2,379)	(7,591)
Other	-	-	43,132	43,132
Net increase (decrease) in fair value of investments	-	-	-	-
Net nonoperating revenues (expenses)	-	(5,212)	40,753	35,541
Income (loss) before transfers and capital contributions	(219,141)	(140,018)	(548,149)	(907,308)
Capital contributions	300,737			300,737
Transfers in (out)	-	(75,000)	945,000	870,000
Change in net assets	81,596	(215,018)	396,851	263,429
Net assets, beginning of year	9,437,756	2,812,900	5,419,594	17,670,250
Net assets, end of year	\$ 9,519,352	\$ 2,597,882	\$ 5,816,445	\$ 17,933,679

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2004**

Exhibit D-3

	Business-Type Activities - Non-major Enterprise Funds			
	Coliseum	Golf and Tennis Center	Solid Waste	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 7,939,311	\$ 804,785	\$ 8,418,075	\$ 17,162,171
Cash payments to suppliers for goods and services	(6,925,875)	(389,229)	(5,895,066)	(13,210,170)
Cash payments to employees for services	(1,110,935)	(301,778)	(2,022,051)	(3,434,764)
Net cash provided by (used in) operating activities	(97,499)	113,778	500,958	517,237
Cash flows from noncapital financing activities:				
Transfers in from other funds			1,000,000	1,000,000
Cash paid to other funds	-	(75,000)	(55,000)	(130,000)
Net cash provided by (used in) noncapital financing activities	-	(75,000)	945,000	870,000
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(22,914)		(112,733)	(135,647)
Principal paid on revenue bond maturities and long-term debt		(35,521)	(93,000)	(128,521)
Interest paid on revenue bonds and long-term debt	-	(5,212)	(2,379)	(7,591)
Net cash provided by (used in) capital and related financing activities	(22,914)	(40,733)	(208,112)	(271,759)
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(120,413)	(1,955)	1,237,846	1,115,478
Cash and cash equivalents (including restricted), July 1	5,018,960	2,790	325,748	5,347,498
Cash and cash equivalents (including restricted), June 30	\$ 4,898,547	\$ 835	\$ 1,563,594	\$ 6,462,976

	Business-Type Activities - Non-major Enterprise Funds			
	Coliseum	Golf and Tennis Center	Solid Waste	Totals
Operating income (loss)	<u>\$ (219,141)</u>	<u>\$ (134,806)</u>	<u>\$ (588,902)</u>	<u>\$ (942,849)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	452,371	108,901	861,606	1,422,878
Decrease (increase) in:				
Accounts receivable	(9,632)	(5,555)	(20,522)	(35,709)
Due from other funds	(1,831)	(1,864)	(19,565)	(23,260)
Due from component units			(10,971)	(10,971)
Inventories	(1,811)	11,361		9,550
Increase (decrease) in:				
Accounts payable	(188,066)	(4,117)	73,745	(118,438)
Accrued leave	2,541	1,411	15,078	19,030
Due to other funds	23,600	134,332	132,928	290,860
Other liabilities	(5,054)	4,115	14,429	13,490
Deferred revenue	(150,476)			(150,476)
Nonoperating revenues reported as operating revenues	-	-	43,132	43,132
Total adjustments	<u>121,642</u>	<u>248,584</u>	<u>1,089,860</u>	<u>1,460,086</u>
Net cash provided by (used in) operating activities	<u>\$ (97,499)</u>	<u>\$ 113,778</u>	<u>\$ 500,958</u>	<u>\$ 517,237</u>
Non-cash transactions affecting investing capital and related financing activities:				
Acquisition of fixed assets through other funds' capital contributions	\$ 300,737	\$ -	\$ -	\$ 300,737
Total non-cash transactions	<u>\$ 300,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,737</u>

The accompanying notes are integral part of the financial statements.

INTERNAL SERVICE FUNDS



**CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2004**

Exhibit E-1

ASSETS	<u>Equipment Replacement</u>	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Refuse-Steam Plant</u>	<u>Information Services</u>	<u>Totals</u>
Current assets:						
Cash and cash equivalents	\$ 5,836,157	\$ 90,526	\$ 5,586,557	\$ 2,399,163	\$ 410,109	\$ 14,322,512
Cash with fiscal agent			37,529			37,529
Accounts receivable	1,541	10,725	1,874	130,245	27,312	171,697
Due from other funds	2,342,548	605,504	601,100	67,607	130,531	3,747,290
Due from component units		39,120	60,145		27	99,292
Inventories	-	97,746	-	-	-	97,746
Total current assets	<u>8,180,246</u>	<u>843,621</u>	<u>6,287,205</u>	<u>2,597,015</u>	<u>567,979</u>	<u>18,476,066</u>
Capital assets:						
Improvements other than buildings				13,800,656		13,800,656
Equipment	23,778,521	772,143	19,234	1,744,069	507,323	26,821,290
Construction in progress				378,489		378,489
Accumulated depreciation	<u>(16,538,712)</u>	<u>(525,780)</u>	<u>(5,523)</u>	<u>(11,797,526)</u>	<u>(498,670)</u>	<u>(29,366,211)</u>
Net capital assets	<u>7,239,809</u>	<u>246,363</u>	<u>13,711</u>	<u>4,125,688</u>	<u>8,653</u>	<u>11,634,224</u>
Total assets	<u>\$ 15,420,055</u>	<u>\$ 1,089,984</u>	<u>\$ 6,300,916</u>	<u>\$ 6,722,703</u>	<u>\$ 576,632</u>	<u>\$ 30,110,290</u>

	<u>Equipment Replacement</u>	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Refuse-Steam Plant</u>	<u>Information Services</u>	<u>Totals</u>
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 65,145	\$ 370,906	\$ 142,397	\$ 150,054	\$ 76,869	\$ 805,371
Accrued interest payable				54,182		54,182
Accrued leave		96,665	15,161	94,193	16,488	222,507
Due to other funds	4,365	16,520	8,602	42,103	7,531	79,121
Deferred revenue						
Current portion of long-term debt			513,661	175,759		689,420
Other liabilities	-	14,964	2,496	17,772	3,048	38,280
Total current liabilities	69,510	499,055	682,317	534,063	103,936	1,888,881
Notes payable	-	-	589,515	2,081,529	-	2,671,044
Total liabilities	69,510	499,055	1,271,832	2,615,592	103,936	4,559,925
NET ASSETS						
Invested in capital assets, net of related debt	7,239,809	246,363	13,711	1,868,400	8,653	9,376,936
Unrestricted	8,110,736	344,566	5,015,373	2,238,711	464,043	16,173,429
Total net assets	15,350,545	590,929	5,029,084	4,107,111	472,696	25,550,365
Total liabilities and net assets	\$ 15,420,055	\$ 1,089,984	\$ 6,300,916	\$ 6,722,703	\$ 576,632	\$ 30,110,290

The accompanying notes are an integral part of the financial statements.

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Fiscal Year Ended June 30, 2004

Exhibit E-2

	Equipment Replacement	Fleet Management	Risk Management	Refuse-Steam Plant	Information Services	Totals
Operating revenues:						
Charges for services	\$ 1,931,617	\$ 4,162,236	\$ 4,716,244	\$ 4,445,525	\$ 1,675,402	\$ 16,931,024
Operating expenses:						
Personal services		1,078,015	194,007	1,423,591	226,699	2,922,312
Fringe benefits		304,527	43,905	376,110	51,130	775,672
Cost of goods sold		2,056,598				2,056,598
Utilities		44,144		258,229		302,373
Insurance		33,310	1,357,538	144,557		1,535,405
Operating supplies		91,201	16,233	176,333	36,413	320,180
Equipment rental		7,329	20,810	9,526	10,190	47,855
Equipment and building repairs		82,649	4,221	632,517	115,122	834,509
Telephone and postage		11,972	7,736	25,845	1,014,310	1,059,863
General expense		45,814	23,773	33,704	34,963	138,254
Claims			1,923,079			1,923,079
Landfill costs				578,236		578,236
Contractual services		14,956		76,967	18,433	110,356
Indirect cost				218,000		218,000
Depreciation and amortization	1,435,033	36,384	4,264	365,142	31,734	1,872,557
Total operating expenses	1,435,033	3,806,899	3,595,566	4,318,757	1,538,994	14,695,249
Operating income (loss)	496,584	355,337	1,120,678	126,768	136,408	2,235,775
Nonoperating revenues (expenses):						
Interest income	41,988		68,485	11,631		122,104
Interest and fiscal charges				(222,091)		(222,091)
Other	24,700	(34,344)	-	5,785	-	(3,859)
Net nonoperating revenues (expenses)	66,688	(34,344)	68,485	(204,675)	-	(103,846)
Income (loss) before transfers and capital contributions	563,272	320,993	1,189,163	(77,907)	136,408	2,131,929
Capital contributions	688,785	21,364				710,149
Transfers in (out)	-	-	-	-	-	-
Change in net assets	1,252,057	342,357	1,189,163	(77,907)	136,408	2,842,078
Net assets, beginning of year	14,098,488	248,572	3,839,921	4,185,018	336,288	22,708,287
Net assets, end of year	\$ 15,350,545	\$ 590,929	\$ 5,029,084	\$ 4,107,111	\$ 472,696	\$ 25,550,365

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2004**

Exhibit E-3

	Equipment Replacement	Fleet Management	Risk Management	Refuse-Steam Plant	Information Services	Totals
Cash flows from operating activities:						
Cash received from customers	\$ 1,417,662	\$ 3,621,933	\$ 4,952,330	\$ 4,465,259	\$ 1,576,289	\$ 16,033,473
Cash payments to suppliers for goods and services		(2,459,212)	(3,411,373)	(2,608,471)	(1,251,616)	(9,730,672)
Cash payments to employees for services	-	(1,134,110)	(1,232,001)	(1,411,292)	(223,592)	(4,000,995)
Net cash provided by (used in) operating activities	<u>1,417,662</u>	<u>28,611</u>	<u>308,956</u>	<u>445,496</u>	<u>101,081</u>	<u>2,301,806</u>
Cash flows from noncapital financing activities:						
Transfers in from other funds	4,365	21,364				25,729
Cash paid to other funds	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>4,365</u>	<u>21,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,729</u>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(2,401,763)	(77,335)	(15,458)	(1,626,850)	(5,013)	(4,126,419)
Principal paid on revenue bond maturities and long-term debt			(119,442)	(168,297)		(287,739)
Interest paid on revenue bonds and long-term debt				(223,879)		(223,879)
Proceeds from issuance of revenue bonds and long-term debt				1,487,875		1,487,875
Capital contributions	682,233					682,233
Proceeds from sale of capital assets	<u>28,187</u>	<u>(34,344)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,157)</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,691,343)</u>	<u>(111,679)</u>	<u>(134,900)</u>	<u>(531,151)</u>	<u>(5,013)</u>	<u>(2,474,086)</u>
Cash flows from investing activities:						
Interest and dividends on investments	<u>43,665</u>	<u>-</u>	<u>68,485</u>	<u>12,007</u>	<u>-</u>	<u>124,157</u>
Net cash provided by (used in) investing activities	<u>43,665</u>	<u>-</u>	<u>68,485</u>	<u>12,007</u>	<u>-</u>	<u>124,157</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	(225,651)	(61,704)	242,541	(73,648)	96,068	(22,394)
Cash and cash equivalents (including restricted), July 1	<u>6,061,808</u>	<u>152,230</u>	<u>5,381,545</u>	<u>2,472,811</u>	<u>314,041</u>	<u>14,382,435</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 5,836,157</u>	<u>\$ 90,526</u>	<u>\$ 5,624,086</u>	<u>\$ 2,399,163</u>	<u>\$ 410,109</u>	<u>\$ 14,360,041</u>

	Equipment Replacement	Fleet Management	Risk Management	Refuse-Steam Plant	Information Services	Totals
Operating income (loss)	<u>\$ 496,584</u>	<u>\$ 355,337</u>	<u>\$ 1,120,678</u>	<u>\$ 126,768</u>	<u>\$ 136,408</u>	<u>\$ 2,235,775</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	1,435,034	36,384	4,264	365,142	31,734	1,872,558
Decrease (increase) in:						
Accounts receivable	1,676	3,059	986	15,549	(8,420)	12,850
Due from other funds	(513,955)	(515,527)	235,100		(90,741)	(885,123)
Due from component units		(27,835)	(60,145)		48	(87,932)
Inventories		40,439				40,439
Increase (decrease) in:						
Accounts payable	59,745	193,233	37,743	(49,099)	23,741	265,363
Accrued leave		13,631	2,497	5,281	986	22,395
Due to other funds	4,365	(79,904)	8,324	(32,770)	5,203	(94,782)
Due to component units						
Other liabilities		9,794	1,675	10,440	2,122	24,031
Deferred revenue						
Due to other funds reported as nonoperating activities	(4,365)					(4,365)
Accounts receivable reported as nonoperating activities	(1,677)					(1,677)
Accounts payable reported as nonoperating activities	(59,745)					(59,745)
Long-term accrued insurance claims reported as operating activity			(1,042,166)			(1,042,166)
Nonoperating revenues reported as operating revenues	-	-	-	4,185	-	4,185
Total adjustments	<u>921,078</u>	<u>(326,726)</u>	<u>(811,722)</u>	<u>318,728</u>	<u>(35,327)</u>	<u>66,031</u>
Net cash provided by (used in) operating activities	<u>\$ 1,417,662</u>	<u>\$ 28,611</u>	<u>\$ 308,956</u>	<u>\$ 445,496</u>	<u>\$ 101,081</u>	<u>\$ 2,301,806</u>
Non-cash transactions affecting investing capital and related financing activities:						
Acquisition of fixed assets through other funds' capital contributions	<u>\$ 688,785</u>	<u>\$ 21,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 710,149</u>
Total non-cash transactions	<u>\$ 688,785</u>	<u>\$ 21,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 710,149</u>

The accompanying notes are an integral part of the financial statements.

FIDUCIARY FUNDS



CITY OF HAMPTON, VIRGINIA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Fiscal Year Ended June 30, 2004

Exhibit F-1

	Balance, July 1, 2003	Additions	Deductions	Balance, June 30, 2004
<u>Special Welfare Fund</u>				
Assets:				
Cash and cash equivalents	\$ 147,710	\$ 252,436	\$ 243,656	\$ 156,490
	<u>\$ 147,710</u>	<u>\$ 252,436</u>	<u>\$ 243,656</u>	<u>\$ 156,490</u>
Liabilities:				
Deposits	\$ 138,873	\$ 202,259	\$ 203,516	\$ 137,616
Accounts payable	2,637	42,027	40,487	4,177
Due to other funds	6,200	22,518	14,021	14,697
	<u>\$ 147,710</u>	<u>\$ 266,804</u>	<u>\$ 258,024</u>	<u>\$ 156,490</u>
<u>Agency Fund</u>				
Assets:				
Cash and cash equivalents	\$ 117,300	\$ 333,398	\$ 224,626	\$ 226,072
	<u>\$ 117,300</u>	<u>\$ 333,398</u>	<u>\$ 224,626</u>	<u>\$ 226,072</u>
Liabilities:				
Deposits	\$ 87,899	\$ 164,042	\$ 60,551	\$ 191,390
Accounts payable	27,161	304,024	299,612	31,573
Due to other funds	2,240	122,740	121,871	3,109
	<u>\$ 117,300</u>	<u>\$ 590,806</u>	<u>\$ 482,034</u>	<u>\$ 226,072</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 265,010	\$ 585,834	\$ 468,282	\$ 382,562
	<u>\$ 265,010</u>	<u>\$ 585,834</u>	<u>\$ 468,282</u>	<u>\$ 382,562</u>
Liabilities:				
Deposits	\$ 226,772	\$ 366,301	\$ 264,067	\$ 329,006
Accounts payable	29,798	346,051	340,099	35,750
Due to other funds	8,440	145,258	135,892	17,806
	<u>\$ 265,010</u>	<u>\$ 857,610</u>	<u>\$ 740,058</u>	<u>\$ 382,562</u>

The accompanying notes are an integral part of the financial statements.

DISCRETELY PRESENTED COMPONENT UNIT–SCHOOL BOARD



CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2004

Exhibit G-1

	Operating	Student Activities	Food Services	Special Revenue	Reimbursable Projects	Total
ASSETS						
Cash and cash equivalents	\$ 2,171	\$ 205,226	\$ 1,619,302	\$ 172,027	\$ 775,459	\$ 2,774,185
Investments				8,358		8,358
Accounts receivables	319,788					319,788
Due from primary government	990		22,832			23,822
Due from other funds	4,403,109	91,902	4,925		1,558,973	6,058,909
Due from other governments	2,457,539		339,500		2,594,294	5,391,333
Inventories	-	-	311,208	-	-	311,208
Total assets	<u>\$ 7,183,597</u>	<u>\$ 297,128</u>	<u>\$ 2,297,767</u>	<u>\$ 180,385</u>	<u>\$ 4,928,726</u>	<u>\$ 14,887,603</u>
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and other liabilities	\$ 1,164,384	\$ 11,322	\$ 1,888	\$ -	\$ 178,538	\$ 1,356,132
Due to other funds	1,624,343	152,000	135,211	3,036	4,144,319	6,058,909
Due to primary government	110,411					110,411
Deferred revenue	3,847	-	-	-	605,869	609,716
Total liabilities	<u>2,902,985</u>	<u>163,322</u>	<u>137,099</u>	<u>3,036</u>	<u>4,928,726</u>	<u>8,135,168</u>
Fund Balance						
Reserved for encumbrances	2,962,039					2,962,039
Unreserved						
Designated for schools	1,318,573	133,806	2,160,668	177,349	-	3,790,396
Total fund balance	<u>4,280,612</u>	<u>133,806</u>	<u>2,160,668</u>	<u>177,349</u>	<u>-</u>	<u>6,752,435</u>
Total liabilities and fund balances	<u>\$ 7,183,597</u>	<u>\$ 297,128</u>	<u>\$ 2,297,767</u>	<u>\$ 180,385</u>	<u>\$ 4,928,726</u>	<u>\$ 14,887,603</u>
Total fund balance						\$ 6,752,435
Amounts reported for governmental activities in the Statement of Net Assets are different because:						
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. (Note 6)						
Accumulated depreciation on capital assets. (Note 6)						83,567,912
						(63,103,154)
Other assets not available to pay current-period expenditures and, therefore, are deferred in the funds.						
						53,145
Long-term liabilities incurred for capital assets. (Note 8)						(820,277)
Long-term liability for compensated absences. (Note 8)						(5,594,964)
Net assets of governmental activities						<u>\$ 20,855,097</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2004

	Operating	Student Activities	Food Services	Special Revenue	Reimbursable Projects	Total
Revenues:						
State funds	\$ 102,333,990	\$ -	\$ 134,941	\$ -	\$ 2,178,022	\$ 104,646,923
Federal fund (includes pass through)	1,536,378		3,924,138		11,019,111	16,479,627
Other receipts	157,551	132,556	3,518,955	4,847	880,032	4,493,941
Net increase in fair value of investments	-	-	-	1,484	-	1,484
Total revenues	104,027,889	132,556	7,578,034	6,331	13,877,165	125,621,975
Expenditures:						
Education	161,560,690	417,987	7,569,567	3,036	13,870,894	183,422,174
Excess of revenues over (under) expenditures	(57,532,801)	(285,431)	8,467	3,295	6,271	(57,800,199)
Other financing sources (uses):						
Transfer from:						
Cafeteria Fund	260,000					260,000
School Operating Fund		316,000				316,000
Reimbursable Projects Fund		6,271				6,271
Primary government	54,321,269					54,321,269
Transfer to:						
School Operating Fund			(260,000)			(260,000)
Student Activities Fund	(316,000)	-	-	-	(6,271)	(322,271)
Total other sources (uses)	54,265,269	322,271	(260,000)	-	(6,271)	54,321,269
Excess of revenues and other sources over (under) expenditures and other uses	(3,267,532)	36,840	(251,533)	3,295	-	(3,478,930)
Fund balance - July 1	7,548,144	96,966	2,412,201	174,054	-	10,231,365
Fund balance - June 30	\$ 4,280,612	\$ 133,806	\$ 2,160,668	\$ 177,349	\$ -	\$ 6,752,435
Net change in fund balances - total school funds						\$ (3,478,930)
Amounts reported for governmental activities in the Statement of Activities are different because:						
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. (Note 6)						
Capital outlay						2,474,464
Depreciation expense						(4,569,306)
In the statement of activities, the loss on disposal of capital assets is reported. However, in the governmental funds, only the proceeds from sale increase financial resources. The change in net assets differs from the change in fund balance by the net book value of the capital assets abandoned. (Note 6)						
						(125,295)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.						
						24,650
Capital lease financing for the acquisition of capital assets does not provide current financial resources. Capital assets acquired by capital lease financing are not reported as expenditures in the governmental funds. (Note 8)						
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. (Note 8)						
						842,197
Increase of compensated absences reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds. (Note 8)						
						(53,471)
Change in net assets of governmental activities						\$ (4,885,691)

The accompanying notes are an integral part of the financial statements.

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2004

Exhibit G-3

School Board - School Operating Fund			
	Budgeted Amounts		Variance with Final Budget Over (Under)
	Original	Final	
Revenues:			
Intergovernmental:			
State funds	\$ 103,508,364	\$ 103,508,364	\$ 102,333,960
Federal funds (includes pass through)	1,087,527	1,087,527	1,536,378
Miscellaneous	284,405	284,405	157,551
Total revenues	<u>104,880,296</u>	<u>104,880,296</u>	<u>104,027,889</u>
Expenditures:			
Current:			
Education	159,145,565	165,302,540	161,560,690
Total expenditures	<u>159,145,565</u>	<u>165,302,540</u>	<u>161,560,690</u>
Excess of revenues over (under) expenditures	<u>(54,265,269)</u>	<u>(60,422,244)</u>	<u>(57,532,801)</u>
Other financing sources (uses):			
Transfers from (to) primary government	54,321,269	54,321,269	54,321,269
Transfers from (to) component units			
Transfers in	260,000	260,000	260,000
Transfers out	<u>(316,000)</u>	<u>(316,000)</u>	<u>(316,000)</u>
Total other financing sources (uses)	<u>54,265,269</u>	<u>54,265,269</u>	<u>54,265,269</u>
Excess of revenues and other sources over (under) expenditures and other uses		(6,156,975)	(3,267,532)
Appropriations from fund balance		9,119,014	
Appropriations - encumbrances		<u>(2,962,039)</u>	
Budget - excess of revenues and appropriations from fund balance over (under) expenditures			
Fund balance - July 1	<u>-</u>	<u>-</u>	<u>7,548,144</u>
Fund balance - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,280,612</u>

The accompanying notes are an integral part of the financial statements.

SUPPLEMENTARY INFORMATION



CITY OF HAMPTON, VIRGINIA
SCHEDULE OF THE TREASURER'S ACCOUNTABILITY
June 30, 2004

Schedule 1

Assets held by the Treasurer:	
Cash on hand	\$ 8,050
Cash in banks:	
Bank of America	4,012,618
Old Point National Bank	21,777,417
SouthTrust Bank	749,875
Investments:	
State Local Government Investment Pool	22,000,000
Investment in mutual and money market funds	10,355,372
U.S. Government securities	7,924,987
Commercial paper	20,272,837
Repurchase agreement	<u>740,470</u>
Total assets	<u>\$ 87,841,626</u>
Liabilities of the Treasurer:	
Balance of City funds	<u>\$ 87,841,626</u>
Cash and cash equivalents per Exhibit A-1	
Primary Government	\$ 79,536,365
School Board	2,774,185
Industrial Development Authority	912,273
General Fund Investments per Exhibit A-3	7,921,613
Restricted cash and investments - Enterprise Funds (excluding HRHA) per Exhibit A-5	
Cash and cash equivalents	9,769,835
Investments	57,138,885
Cash and cash equivalents - Agency Funds per Exhibit A-8	382,562
Investments - component Unit - IDA	299,843
Adjust investments in CAFR from fair value to cost	3,374
Less:	
Petty cash	\$ (22,771)
Cash held by HRHA	(2,539,658)
Cash and investments held by trustees	(68,334,882)
Rounding	<u>2</u>
Balance of City funds	<u>\$ 87,841,626</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CASH FLOWS – DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY
June 30, 2004

Schedule 2

	Industrial Development Authority
Cash flows from operating activities:	
Cash received from customers	\$ 612,227
Cash payments to suppliers for goods and services	(497,568)
Cash payments to employees for services	(4,656)
Other receipts (payments)	18,722
Net cash provided by (used in) operating activities	<u>128,725</u>
Cash flows from noncapital financing activities:	
Transfers in from primary government	<u>3,115,575</u>
Net cash provided by (used in) noncapital financing activities	<u>3,115,575</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(3,033,916)
Principal paid on revenue bond maturities and long-term debt	(385,028)
Interest paid on revenue bonds and long-term debt	<u>(780,596)</u>
Net cash provided by (used in) capital and related financing activities	<u>(4,199,540)</u>
Cash flows from investing activities:	
Purchase of investment securities	(174,331)
Sale of investment securities	183,674
Interest and dividends on investments	13,073
Proceeds from collection of loans	514,253
Proceeds from collection of lease receivable	385,027
Interest received on loans	81,785
Interest received on lease receivable	770,846
Disbursements for loans	<u>(339,161)</u>
Net cash provided by (used in) investing activities	<u>1,435,166</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	479,926
Cash and cash equivalents (including restricted), July 1	<u>3,224,523</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 3,704,449</u>

Operating income (loss)	\$ (928,061)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	50,793
Bad debt expense	67,272
Decrease (increase) in:	
Accounts receivable	135,253
Notes receivable	494,936
Due from primary government	(280,464)
Prepaid expenses and other assets	
Increase (decrease) in:	
Accounts payable	100,673
Due to primary government	317,389
Deferred revenue	
Accounts receivable reported as nonoperating activities	(5,601)
Notes receivable reported as nonoperating activities	(165,761)
Accounts payable reported as nonoperating activities	(100,132)
Nonoperating revenues reported as operating revenues	503,636
Due from/to primary government reported as nonoperating activity	(61,208)
Total adjustments	<u>1,056,786</u>
Net cash provided by (used in) operating activities	\$ <u>128,725</u>
Non-cash transactions affecting investing capital and related financing activities:	
Acquisition of fixed assets through capital contributions	\$ 456,917
Total non-cash transactions	\$ <u>456,917</u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHOOL OPERATING FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
Fiscal Year Ended June 30, 2004

Schedule 3

	Appropriations				Variance Over (Under)
	Budget July 1, 2003	Net Changes	Final June 30, 2004	Expenditures	
Expenditures:					
Administration/attendance and health	\$ 8,438,426	\$ 336,016	\$ 8,774,442	\$ 8,704,021	\$ (70,421)
Instructional	125,434,764	4,393,524	129,828,288	126,634,030	(3,194,258)
Public transportation services	8,155,743	385,280	8,541,023	8,438,746	(102,277)
Operation and maintenance of school plant	<u>17,116,632</u>	<u>1,042,155</u>	<u>18,158,787</u>	<u>17,783,896</u>	<u>(374,891)</u>
Total expenditures	<u>159,145,565</u>	<u>6,156,975</u>	<u>165,302,540</u>	<u>161,560,693</u>	<u>(3,741,847)</u>
Operating transfers out:					
To Student Activities Fund	<u>316,000</u>	<u>-</u>	<u>316,000</u>	<u>316,000</u>	<u>-</u>
Total transfers	<u>316,000</u>	<u>-</u>	<u>316,000</u>	<u>316,000</u>	<u>-</u>
Total expenditures and transfers	<u>\$ 159,461,565</u>	<u>\$ 6,156,975</u>	<u>\$ 165,618,540</u>	<u>\$ 161,876,693</u>	<u>\$ (3,741,847)</u>

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHOOL OPERATING FUND
SCHEDULE OF REVENUE AND OTHER CREDITS - BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2004

Schedule 4

	Budget Revenues	Actual Revenues	Variance Over (Under)
State funds:			
Basic appropriation	\$ 56,900,791	\$ 55,860,214	\$ (1,040,577)
At risk payment	1,188,948	1,173,711	(15,237)
Remedial education	1,110,621	1,110,349	(272)
Reduced K-3 incentive	1,857,118	1,795,749	(61,369)
Teacher retirement	1,724,916	1,744,192	19,276
Social security benefits	3,013,760	3,026,467	12,707
Special education	7,631,294	7,659,056	27,762
Textbook payments	1,263,117	1,267,817	4,700
Remedial summer school	784,355	608,131	(176,224)
At risk 4 year old	917,465	917,465	
Gifted	603,400	605,645	2,245
Foster home	285,656	355,230	69,574
Vocational education	1,178,302	1,103,837	(74,465)
VPSA ed tech grant	986,000	986,000	
Virginia blind	12,363	15,337	2,974
SOL materials	643,298	594,140	(49,158)
Reading intervention	274,968	251,451	(23,517)
Enrollment loss	596,505	354,846	(241,659)
Sales tax	17,878,898	18,425,074	546,176
Lottery	3,758,342	3,772,663	14,321
Other state funds	898,247	706,586	(191,661)
Total	103,508,364	102,333,960	(1,174,404)
Federal funds:			
Public law 874	809,454	1,198,562	389,108
Impact aid special education	89,617	115,945	26,328
U.S. Army - ROTC	61,962	73,496	11,534
U.S. Air Force - ROTC	38,548	44,553	6,005
U.S. Navy - ROTC	46,382	54,414	8,032
U.S. Marine Corps - ROTC	41,564	49,408	7,844
Total	1,087,527	1,536,378	448,851
Other funds:			
Fees from students	41,067	46,899	5,832
Tuition from regular day students	6,600	3,750	(2,850)
Rents, rebates and sales	26,019	23,837	(2,182)
Interest	50,000	7,708	(42,292)
Other	160,719	75,357	(85,362)
Total	284,405	157,551	(126,854)
Total revenues	104,880,296	104,027,889	(852,407)
Other credits:			
Transfer from General Fund	54,321,269	54,321,269	
Transfer from Cafeteria Fund	260,000	260,000	
Appropriation from fund balance - encumbrances	6,156,975	6,156,975	-
Total revenues and other credits	\$ 165,618,540	\$ 164,766,133	\$ (852,407)

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF ACCOUNTS RECEIVABLE BY SOURCE -
ALL GOVERNMENTAL FUND TYPES AND DISCRETELY
PRESENTED COMPONENT UNIT - SCHOOL BOARD

Schedule 5

June 30, 2004

General Fund:

From Commonwealth of Virginia:	
Sales and use taxes	\$ 1,062,608
Public assistance	1,572,632
Street and highway maintenance	2,590,108
General property taxes (net of an allowance for uncollectible taxes of \$2,664,448)	7,312,854
Other	1,286,182
Total General Fund	<u>\$ 13,824,384</u>

Special Revenue Funds:

Federal Grants Fund:

From the Commonwealth of Virginia	\$ 996,754
From the Federal Government	2,877,739
Other	7,746
Total Federal Grants Fund	<u>3,882,239</u>

Community Development Fund:

From the Federal government:	123,500
Other	2,783
Total Community Development Fund	<u>126,283</u>

Economic Development Fund:

Other	<u>142,255</u>
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Excel Fund:

Franchise Cable Tax	<u>300,582</u>
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Enhanced Emergency Telephone Service:

E911 taxes	<u>190,590</u>
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Stormwater Management Fees

250,465

Law Library:

Other	<u>34</u>
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Total Special Revenue Funds	<u>\$ 4,892,448</u>
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Permanent Fund:**Pearl I. Young:**

Other

\$ 17**Debt Service Fund:**

Other

\$ 233**Capital Projects Fund:**

From the Commonwealth of Virginia:

\$ 1,500,000**Component Unit-School Board:**

From the Commonwealth of Virginia:

Special education

\$ 399,400

Grants

15,507

State reimbursement:

Teacher retirement

147,205

Social security benefits

253,754

Sales taxes

1,604,124

From the Federal Government:

Federal grants

2,460,718

ROTC

28,473

School lunch program

263,390

Other

538,550

Total Component Unit-School Board

\$ 5,711,121

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2004

Schedule 6

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Deferred Revenue Balance July 1, 2003	Revenues (Note B)		Expenditures	Deferred Revenue Balance June 30, 2004
			Federal	State/Local		
DEPARTMENT OF AGRICULTURE:						
FOOD STAMP CLUSTER:						
Pass-through payments:						
Department of Social Services:						
State Administrative Matching Grants for						
Food Stamp Program (12-3505)	10.561		1,607,356	1,475,815	3,083,171	
Total Food Stamp Cluster		-	1,607,356	1,475,815	3,083,171	-
NUTRITION CLUSTER:						
Direct payments:						
Summer Food Service Program for Children (02-51-56397-000)	10.559		95,360		95,360	
Pass-through payments:						
Department of Education:						
National School Breakfast Program (112)	10.553		688,285		688,285	
National School Lunch Program (112)	10.556		2,988,296	130,785	3,119,081	
Department of Agriculture and Consumer Services:						
Donated Commodities	10.555	23,149	430,788	-	509,517	-
Total Nutrition Cluster		23,149	4,202,729	130,785	4,412,243	-
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:						
CDBG-ENTITLEMENT AND (HUD-ADMINISTERED) SMALL CITIES CLUSTER:						
Direct payments:						
Community Development Block Grant Program, Entitlement Grants:						
(\$1,464,913 provided to subrecipient)	14.218		1,010,414	454,499	1,464,913	
OTHER						
Direct payments:						
Community Development Block Grant Program, Entitlement Grants:						
Home Program (\$618,050 provided to subrecipient)	14.239		779,431	138,915	918,346	-
Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster		-	1,789,845	593,414	2,383,259	-

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Deferred Revenue Balance July 1, 2003	Revenues (Note B)		Expenditures	Deferred Revenue Balance June 30, 2004
			Federal	State/Local		
DEPARTMENT OF JUSTICE:						
Direct payments:						
Bulletproof Vest Partnership Grant	16.607	\$ -	\$ -	\$ -	\$ -	\$ -
Local Law Enforcement Block Grants Program	16.592		113,342	12,990	126,332	
COPS in Schools (2000SHWX0678)	16.710		186,203		186,203	
State Criminal Alien Assistance Program (AP-BX-1290)	16.606		34,593		34,593	
Pass-through payments:						
Department of Criminal Justice Services:						
Juvenile Accountability Incentive Block Grant (02-D3227JB01), (03-E3227JB02), (02-16-87704-00)	16.523		27,850	3,094	30,944	
Hampton Domestic Violence Community Unified Response Effort (02-F9367VA01), (02-G9225VA01), (03-G9367VA02), (03-H9225VA02)	16.588		81,011	14,160	95,171	
Department of Emergency Management:						
Domestic Preparedness	16.592		5,070	-	5,070	-
Total Department of Justice		-	448,069	30,244	478,313	-
FEDERAL EMERGENCY MANAGEMENT AGENCY:						
Direct payments:						
Assistance to Firefighters	83.554		631,258	155,442	786,700	
Pass-through payments:						
Department of Emergency Management:						
LPPA (Local Performance Partnership Agreement)	16.588		31,494	38,606	70,100	
Citizen Corps Grant (CERT)	83.564		17,976		17,976	
All Hazards Grant	83.552		24,039		24,039	
Hurricane Isabel Grant	83.520		15,829,217	8,257,573	24,086,791	-
Total Federal Emergency Management Agency		-	16,533,984	8,451,621	24,985,606	-
DEPARTMENT OF INTERIOR:						
Direct payments:						
U.S. National Park Service						
Urban Park and Recreation Recovery (UPARR) (NPS-10-912)	10.912		84,295	40,706	125,001	-
Total Department of Interior		-	84,295	40,706	125,001	-

(Continued)

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
June 30, 2004

Schedule 6

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Deferred Revenue Balance July 1, 2003	Revenues (Note B)		Expenditures	Deferred Revenue Balance June 30, 2004
			Federal	State/Local		
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:						
Direct payments:						
NASA LARC Visitor Center and Public Education Program (NCC-1-275)	43.000	\$ -	\$ 461,615	\$ -	\$ 461,615	\$ -
Teachers Resource Center Program (NAG-1-1661) (NAG-1-2130)	43.000		76,354		76,354	
NASA Exhibit Contract	43.000		11,368		11,368	-
Total National Aeronautics and Space Administration		-	549,337	-	549,337	-
DEPARTMENT OF EDUCATION:						
Direct payments:						
School Assistance in Federally Affected Areas	84.041	1,183,610	1,314,507		1,387,107	1,111,010
Pass-through payments:						
Department of Mental Health, Mental Retardation, and Substance Abuse Services:						
Early Intervention Services for Infants and Toddlers with Disabilities and their Families (00-01-15)	84.181		722,368	3,180	725,548	
Department of Education:						
Comprehensive School Reform (CSR)	84.332		145,437		145,437	
Adult Education State-Administered Program	84.002		150,480	37,620	188,100	
Title I:						
Educationally Deprived Children-LEA (112-00-1) (112-01-1)	84.010A		4,862,138		4,862,138	
Reach ED for Homeless Child (112-00-1) (112-01-1) (\$25,737 provided to subrecipient)	84.196		25,737		25,737	
Title II Training and Recruiting	84.367A		822,099		822,099	
Title III LEP, Immigrant	84.365		18,070		18,070	
Title V Innovative Programs	84.298A		93,677		93,677	
Title VI (formerly Chapter 2):						
Improving School Programs State Block Grant (112-T6-00) (112-T6-01)	84.298		101,580		101,580	
Individuals with Disabilities Education Act (IDEA):						
Title IVB - Silver Grant (112-9900SL) (112-0001SL)	84.027A		3,256,096		3,256,096	
Handicapped Preschool Incentive Grant (112-PS9800) (112-PS9901)	84.173A		80,641		80,641	
Vocational Education - Financial Assistance to Instruction (171-03-50)	84.048		583,921		583,921	
High Schools That Work (VA-00-HSTW-201-HAMPKECOUG)	84.048A		17,847		17,847	

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Deferred Revenue Balance July 1, 2003	Revenues (Note B)		Expenditures	Deferred Revenue Balance June 30, 2004
			Federal	State/Local		
DEPARTMENT OF EDUCATION, (Concluded):						
Title II Eisenhower (112-00) (112-01)	84.281	\$ -	\$ 30,323	\$ -	\$ 30,323	\$ -
Drug-Free Schools and Communities (\$115,687 provided to subrecipient)	84.186		115,687		115,687	
Office of the Governor:						
Fund for the Improvement of Education	84.215L		138,436		138,436	
Reading Excellence	84.338		96,026		96,026	
Hampton Harbour Charter	84.282A		139,508		139,508	
Technology Literacy	84.318	-	187,780	-	187,780	-
Total Department of Education		1,183,610	12,902,358	40,800	13,015,758	1,111,010
DEPARTMENT OF HEALTH AND HUMAN SERVICES:						
MEDICAID CLUSTER:						
Pass-through payments:						
Department of Social Services:						
Medical Assistance Program (Medicaid, Title XIX)	93.778	-	672,283	617,970	1,290,253	-
Total Medicaid Cluster		-	672,283	617,970	1,290,253	-
OTHER:						
Pass-through payments:						
Department of Education:						
Refugee School Impact	93.576		7,082		7,082	
Department of Social Services:						
Promoting Safe and Stable Families	93.556		52,261	17,420	69,681	
Temporary Assistance for Needy Families (TANF)	93.558		1,540,569	755,877	2,296,446	
Refugee & Entrant Assistance	93.566		1,678	367	2,045	
Low-Income Home Energy Assistance (LIHEAP)	93.568		38,995		38,995	
Child Care and Development Block Grant (CCDBG)	93.575		1,038,518		1,038,518	
Day Care Provider Training (LIC-00-036)	93.596		49,269	49,269	98,538	
Child Care Development Fund	93.596		1,038,214	814,385	1,852,599	
Family Support	93.645		31,521	10,507	42,028	
VISSTA (00-004-SVC)	93.658		361,994	120,664	482,658	
Foster Care - Title IV-E	93.658		2,084,576	820,512	2,905,088	
Adoption Assistance	93.659		385,347	266,176	651,523	
Social Services Block Grant (SSBG)	93.667		1,097,135	312,888	1,410,023	
Independent Living	93.674		20,546	159	20,705	
Administration Foster Care Pass-thru	93.687		102,799	102,799	205,598	-
Total Department of Health and Human Services (Other)		-	7,850,504	3,271,023	11,121,527	-

(Continued)

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Concluded
June 30, 2004

Schedule 6

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Deferred Revenue Balance July 1, 2003	Revenues (Note B)		Expenditures	Deferred Revenue Balance June 30, 2004
			Federal	State/Local		
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE: FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER: Direct payments:						
Foster Grandparent Program (439-S036/21) (439-S036/22)	94.011	\$ -	\$ 357,309	\$ 88,816	\$ 446,125	\$ -
Total Foster Grandparent, Senior Companion Cluster		-	357,309	88,816	446,125	-
OTHER FEDERAL ASSISTANCE AND REIMBURSEMENTS:						
Proceeds of seized assets	16.000		36,994		36,994	
U.S. Army - ROTC	12.000		73,496	77,582	151,078	
U.S. Air Force - ROTC	12.000		44,553	49,462	94,015	
U.S. Navy - ROTC	12.000		54,414	71,474	125,888	
U.S. Marine Corps - ROTC	12.000	-	49,408	60,022	109,430	-
Total Other Federal Assistance and Reimbursements		-	258,865	258,540	517,405	-
Grand Total All Federally Assisted Programs and Grants		\$ 1,206,759	\$ 47,256,935	\$ 14,999,734	\$ 62,407,998	\$ 1,111,010

Notes:

(A) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the City of Hampton, Virginia. The City of Hampton single audit reporting entity is defined in Note 1, Reporting Entity, to the City's general purpose financial statements.

The Schedule of Expenditures of Federal Awards does not include federal funding of \$209,941 in the General Fund. This amount represents indirect costs allocated from other federally assisted programs administered by the City and is included in the federal revenues of the applicable program.

(B) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

(C) Blended Unit Financial Statements

The Hampton Redevelopment Housing Authority (HRHA), a blended component unit, was audited by other auditors for its year ended December 31, 2003.

The auditor's report dated May 11, 2004 included reports on compliance and internal controls and the Schedule of Federal Awards.

A copy of the report can be obtained from:

Board of Commissioners
Hampton Redevelopment and Housing Authority
22 Lincoln Street
Hampton, Virginia 23669

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Museum Revenue Bonds
June 30, 2004

Schedule 7

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2005	\$ 1,165,000	\$ 427,505	\$ 1,592,505
2006	1,130,000	459,937	1,589,937
2007	1,185,000	403,438	1,588,438
2008	1,210,000	379,737	1,589,737
2009	1,240,000	351,000	1,591,000
2010	1,290,000	301,400	1,591,400
2011	1,330,000	259,475	1,589,475
2012	1,370,000	216,250	1,586,250
2013	1,440,000	147,750	1,587,750
2014	<u>1,515,000</u>	<u>75,750</u>	<u>1,590,750</u>
	<u>\$12,875,000</u>	<u>\$ 3,022,242</u>	<u>\$ 15,897,242</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
The Hamptons Revenue Bonds
June 30, 2004

Schedule 8

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2005	\$ 210,000	\$ 129,000	\$ 339,000
2006	215,000	116,250	331,250
2007	230,000	102,900	332,900
2008	240,000	88,800	328,800
2009	250,000	74,100	324,100
2010	260,000	58,800	318,800
2011	270,000	42,900	312,900
2012	285,000	26,250	311,250
2013	295,000	8,850	303,850
	<u>\$2,255,000</u>	<u>\$ 647,850</u>	<u>\$2,902,850</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Convention Center Revenue Bonds
June 30, 2004

Schedule 9

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2005	\$ -	\$ 5,360,431	\$ 5,360,431
2006		5,360,431	5,360,431
2007		5,360,431	5,360,431
2008		5,360,431	5,360,431
2009		5,360,431	5,360,431
2010		5,360,431	5,360,431
2011	2,155,000	5,360,432	7,515,432
2012	2,265,000	5,252,682	7,517,682
2013	2,340,000	5,173,406	7,513,406
2014	2,425,000	5,088,581	7,513,581
2015	2,555,000	4,961,269	7,516,269
2016	2,690,000	4,827,131	7,517,131
2017	2,830,000	4,685,907	7,515,907
2018	2,980,000	4,537,331	7,517,331
2019	3,505,000	4,380,881	7,885,881
2020	3,685,000	4,196,869	7,881,869
2021	3,920,000	4,003,406	7,923,406
2022	4,110,000	3,797,606	7,907,606
2023	4,310,000	3,581,831	7,891,831
2024	4,160,000	3,355,556	7,515,556
2025	4,375,000	3,142,356	7,517,356
2026	4,595,000	2,918,138	7,513,138
2027	4,835,000	2,682,644	7,517,644
2028	5,080,000	2,434,850	7,514,850
2029	5,340,000	2,174,500	7,514,500
2030	5,610,000	1,907,500	7,517,500
2031	5,890,000	1,627,000	7,517,000
2032	6,185,000	1,332,500	7,517,500
2033	6,490,000	1,023,250	7,513,250
2034	6,815,000	698,750	7,513,750
2035	7,160,000	358,000	7,518,000
	<u>\$ 106,305,000</u>	<u>\$ 115,664,962</u>	<u>\$ 221,969,962</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
Industrial Development Authority Revenue Bonds
June 30, 2004

Schedule 10

Fiscal Year Ending June 30,	1997		2002	Interest	Total Debt Service
	Taxable Principal	Tax-Exempt Principal	Tax-Exempt Principal		
2005	\$ 9,451	\$ 53,591	\$ 219,436	\$ 745,394	\$ 1,027,872
2006	10,247	57,510	368,857	718,934	1,155,548
2007	11,110	61,714	391,967	690,756	1,155,547
2008	12,001	66,030	416,524	660,992	1,155,547
2009	13,055	71,053	442,620	628,818	1,155,546
2010	14,155	76,248	470,351	594,793	1,155,547
2011	15,346	81,823	499,819	558,559	1,155,547
2012	16,608	87,670	531,134	520,136	1,155,548
2013	18,037	94,215	564,410	478,885	1,155,547
2014	19,555	101,103	599,772	435,117	1,155,547
2015	21,202	108,494	637,348	388,503	1,155,547
2016	22,974	116,372	677,279	338,921	1,155,546
2017	24,921	124,934	719,712	285,979	1,155,546
2018	22,365	98,357	764,803	229,742	1,115,267
2019			812,720	177,340	990,060
2020			863,638	126,421	990,059
2021			917,746	72,313	990,059
2022	-	-	480,215	14,815	495,030
	<u>\$ 231,027</u>	<u>\$ 1,199,114</u>	<u>\$ 10,378,351</u>	<u>\$ 7,666,418</u>	<u>\$ 19,474,910</u>

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
General Long-term Debt
June 30, 2004

Schedule 11

Serial Bonds:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Sinking Fund (1)</u>		<u>Total Debt Service</u>
			<u>Required Payments</u>	<u>Less Investment Earnings</u>	
2005	\$ 9,975,000	\$ 7,167,551	\$ -	\$ 872,437	\$ 16,270,114
2006	10,490,000	6,703,135	1,985,000	10,178,438	8,999,697
2007	21,605,000	6,231,571	2,120,000	131,506	29,825,065
2008	9,025,000	5,166,994	2,260,000	271,956	16,180,038
2009	9,650,000	4,737,149	2,410,000	421,681	16,375,468
2010	9,895,000	4,287,812	2,570,000	11,926,344	4,826,468
2011	7,695,000	3,867,236			11,562,236
2012	8,045,000	3,513,839			11,558,839
2013	8,430,000	3,133,181			11,563,181
2014	9,155,000	2,696,469			11,851,469
2015	9,110,000	2,101,511			11,211,511
2016	5,180,000	1,653,408			6,833,408
2017	5,455,000	1,405,450			6,860,450
2018	5,135,000	1,138,950			6,273,950
2019	6,700,000	849,400			7,549,400
2020	5,730,000	543,350			6,273,350
2021	2,145,000	220,000			2,365,000
2022	<u>2,255,000</u>	<u>112,750</u>	<u>-</u>	<u>-</u>	<u>2,367,750</u>
Totals	<u>\$ 145,675,000</u>	<u>\$55,529,756</u>	<u>\$11,345,000</u>	<u>\$ 23,802,362</u>	<u>\$ 188,747,394</u>

CITY OF HAMPTON, VIRGINIA
Computation of Legal Debt Margin
June 30, 2004

Schedule 12

Assessed value:

Real estate	\$ 6,081,667,210	
Public service corporations - real estate	190,104,871	
Newport News Waterworks	<u>58,621,301</u>	<u>\$ 6,330,393,382</u>

Debt limit at 10% of assessed value	<u>633,039,338</u>
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General obligation bonded debt:

General obligation tax-exempt bonds	145,675,000	
General obligation taxable bonds	8,403,885	
Notes Payable	1,802,326	
Solid Waste Fund	<u>186,000</u>	156,067,211

Long term notes payable:

State literary loan	<u>1,516,477</u>
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Total long-term debt	<u>157,583,688</u>
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Legal debt margin	<u>\$ 475,455,650</u>
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Note:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value.

The note payable of \$186,000 is reported and paid from funds in the Solid Waste Fund.

The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, accrued sick, annual leave and net pension obligation totaling \$ 8,042,015 at June 30, 2004.

There are no overlapping or underlying tax jurisdictions.

STATISTICS



CITY OF HAMPTON, VIRGINIA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
Last Ten Fiscal Years Ended June 30, 2004
(In Thousands)

TABLE I

Fiscal Year	General Government	Public Safety	Highways and Streets	Sanitation	Health	Social Services	Culture and Recreation	Education and Educational Services	Housing	Capital Improvements	Interest on Long-Term Debt	Total
2002	\$ 67,760	\$ 33,518	\$ 2,319	\$ 14,840	\$ 3,020	\$ 21,439	\$ 27,282	\$ 55,393	\$ 20,429	\$ 8,923	\$ 8,172	\$ 263,095
2003	71,673	35,779	2,170	14,823	2,843	23,313	30,412	55,927	20,483	10,358	9,817	277,598
2004	96,372	39,821	2,302	15,869	3,072	24,905	30,998	57,794	22,149	7,976	7,911	309,169

**CITY OF HAMPTON, VIRGINIA
GOVERNMENT-WIDE REVENUES
Last Ten Fiscal Years Ended June 30, 2004
(In Thousands)**

TABLE II

<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Taxes</u>	<u>Unrestricted Investment Earnings</u>	<u>Special Items</u>	<u>Miscellaneous</u>	<u>Total</u>
2002	\$ 40,854	\$ 63,377	\$ 2,763	\$ 159,578	\$ 4,356	\$ (88)	\$ 6,942	\$ 277,782
2003	43,839	69,076	5,558	164,798	3,380	166	7,251	294,068
2004	46,299	95,664	2,068	178,110	1,102	1,351	9,373	333,969

CITY OF HAMPTON, VIRGINIA
GENERAL GOVERNMENT EXPENDITURES BY ORGANIZATIONAL FUNCTIONS
Last Ten Fiscal Years Ended June 30, 2004
(In Thousands)

TABLE III

Function	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Legislative	\$ 290	\$ 303	\$ 415	\$ 393	\$ 432	\$ 486	\$ 490	\$ 480	\$ 497	\$ 670
Department of Law	639	637	720	726	769	792	874	893	767	824
Constitutional - Judicial - Electoral	8,057	8,306	10,017	10,924	11,307	12,059	11,931	12,816	12,677	13,286
Executive	3,715	4,120	7,515	7,223	9,786	10,560	9,611	10,700	11,497	12,017
Community Development	24,773	29,675	26,158	27,392	29,329	33,175	32,191	27,781	27,345	28,981
Disaster - Hurricane Isabel										23,106
Administrative Services	5,631	5,599	5,346	5,609	6,277	6,666	6,224	6,860	7,257	7,640
Community Services	43,920	47,144	50,195	50,392	54,932	58,367	59,854	64,441	70,294	76,871
Education - School Funds	117,287	123,496	127,859	135,314	144,310	151,957	162,086	167,279	170,997	183,422
Contributions	3,452	3,426	526	492	596	600	513	503	487	525
Retirement and Employee Benefits	12,050	12,511	12,663	13,594	13,252	13,505	15,912	16,580	17,588	18,771
Debt Retirement and Sinking Fund	5,382	17,733	6,016	6,449	41,369	7,796	9,074	16,307	10,892	11,605
Debt Interest/Debt Issue Costs	4,593	7,551	7,883	7,320	6,762	6,291	8,626	8,028	8,965	8,255
Capital Outlay and Transfers	1,518	2,245	3,149	5,110	7,246	9,325	7,212	8,118	8,458	11,497
Total	<u>\$ 231,307</u>	<u>\$ 262,746</u>	<u>\$ 258,462</u>	<u>\$ 270,938</u>	<u>\$ 326,367</u>	<u>\$ 311,579</u>	<u>\$ 324,598</u>	<u>\$ 340,786</u>	<u>\$ 347,721</u>	<u>\$ 397,470</u>

Note: This table includes expenditures (net of applicable interfund transfers) for the General Fund, the Special Revenue Funds, the Debt Service Funds and School Funds.

Interfund transfers of \$75,781 between the General Fund, Special Revenue Funds and the Debt Service Funds are not included in expenditures.

CITY OF HAMPTON, VIRGINIA
GENERAL GOVERNMENT REVENUES BY SOURCE
Last Ten Fiscal Years Ended June 30, 2004
(In Thousands)

TABLE IV

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Taxes	\$ 114,679	\$ 119,893	\$ 124,770	\$ 129,316	\$ 132,428	\$ 137,064	\$ 145,905	\$ 157,587	\$ 163,889	\$ 175,923
Licenses and permits	696	737	828	739	869	905	919	1,464	1,448	1,662
Fines and forfeitures	990	987	994	965	906	893	943	1,124	1,300	1,638
Revenue from use of money and property	2,215	2,805	3,037	3,694	2,759	2,887	3,896	3,152	2,748	1,387
Charges for services	5,513	4,259	4,138	4,171	4,186	5,338	5,239	5,586	5,917	6,776
Other	11,886	14,487	12,712	11,252	46,535	13,427	15,403	18,750	33,059	14,741
Recovered costs	5,030	4,613	3,925	4,026	3,890	8,227	9,720	8,288	9,618	9,484
Noncategorical aid - State	1,063	1,196	1,152	1,034	1,282	1,287	1,252	1,205	1,035	1,009
Shared expenses - State	4,266	4,514	4,566	4,927	6,434	7,091	6,841	6,699	6,853	7,381
Categorical aid - State	75,504	81,581	87,420	91,044	98,339	108,832	112,885	115,170	121,447	130,527
Noncategorical aid - Federal	2,312	2,454	1,840	1,581	2,504	2,560	2,669	210	222	281
Categorical aid - Federal	18,134	18,096	16,204	16,949	19,179	22,075	23,336	27,647	29,780	46,789
 Total revenues	 242,288	 255,622	 261,586	 269,698	 319,311	 310,586	 329,008	 346,882	 377,316	 397,598
Fund balance	81	1,234	66	1,589	7,818	2,740	911	-	-	1,497
	<u>\$ 242,369</u>	<u>\$ 256,856</u>	<u>\$ 261,652</u>	<u>\$ 271,287</u>	<u>\$ 327,129</u>	<u>\$ 313,326</u>	<u>\$ 329,919</u>	<u>\$ 346,882</u>	<u>\$ 377,316</u>	<u>\$ 399,095</u>

Note: This table includes the General Fund, all Special Revenue Funds, Debt Service Funds and School Funds. Interfund transfers of \$75,781 between the General Fund, Special Revenue Funds, and the Debt Service Funds are not included in revenues. The fund balance amounts reflected above as a general government resource represent authorized appropriations of fund balance to meet obligations of the applicable fiscal year.

CITY OF HAMPTON, VIRGINIA
TAX REVENUES BY SOURCE
Last Ten Fiscal Years Ended June 30, 2004
(In Thousands)

TABLE V

Fiscal Year Ended June 30	Total Taxes	General Property Taxes	Sales Taxes	Utility Taxes	Tobacco Taxes	Meal Tax	Other Taxes
1995	\$114,679	\$ 77,268	\$ 10,698	\$ 7,780	\$ 2,734	\$ 5,804	\$ 10,395
1996	119,893	80,594	10,557	8,571	2,339	5,905	11,927
1997	124,770	84,138	11,478	8,464	2,326	5,993	12,371
1998	129,316	86,457	11,906	8,661	2,610	6,409	13,273
1999	132,428	88,117	12,145	8,857	2,413	6,739	14,157
2000	137,065	91,936	12,099	9,027	2,382	6,832	14,789
2001	145,905	96,755	11,422	9,897	2,772	8,575	16,484
2002	157,586	105,009	11,728	10,156	2,456	10,325	17,912
2003	163,889	110,706	11,383	9,941	2,952	10,470	18,437
2004	175,923	116,385	12,218	11,652	4,567	11,325	19,776

CITY OF HAMPTON, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years Ended June 30, 2004
(In Thousands)

TABLE VI

Fiscal Year Ended June 30	Total Tax Levy*	Current Tax Collections (1)*	Personal Property Reimbursement from the State	Total Current Tax Collections*	Percent of Levy Collected	Delinquent Tax Collections*	Total Tax Collections*	Total Collections as Percent of Current Levy	Rate per \$100 of Assessed Value	
									Real Estate	Personal Property
1995	\$ 77,356	\$ 73,144	\$ -	\$ 73,144	94.56 %	\$ 4,124	\$ 77,268	99.89 %	\$ 1.23	\$ 4.40 (2)
1996	81,445	76,367		76,367	93.77	4,107	80,474	98.81	1.23	4.40 (2)
1997	84,858	79,216		79,216	93.35	4,678	83,894	98.86	1.23	4.25 (2)
1998	87,218	81,691		81,691	93.66	4,509	86,200	98.83	1.25	4.25 (2)
1999	88,927	82,018	1,149	83,167	93.52	4,655	87,822	98.76	1.25	4.25 (2)
2000	94,308	82,717	3,460	86,177	91.38	5,471	91,648	97.18	1.25	4.25 (2)
2001	96,775	81,303	8,807	90,110	93.11	6,352	96,462	99.68	1.25	4.25 (2)
2002	102,126	77,708	18,256	95,964	93.97	8,600	104,564	102.39	1.27	4.25 (2)
2003	106,615	86,639	14,292	100,931	94.67	7,598	108,529	101.80	1.27	4.25 (2)
2004	112,683	93,428	14,592	108,020	95.86	7,811	115,831	102.79	1.27	4.25 (2)

Notes:

(1) Includes penalties: A 10% penalty is added December 5th and June 5th.

(2) Machine and tool and recreational boat taxes are assessed, levied and due on the same basis as other personal property. In fiscal 2002, the tax rate for machine and tools was changed to \$3.00 per \$100 levied. In fiscal 1992, the tax rate for recreational boats was \$1.00 per \$100 levied. The same rates are in effect this fiscal year.

There are no overlapping or underlying tax jurisdictions.

* In Thousands

CITY OF HAMPTON, VIRGINIA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years Ended June 30, 2004
(In Thousands)

TABLE VII

Fiscal Year Ended June 30	Real Estate					Personal Property			Totals		Total
	Assessed Value					Assessed & Estimated			Real and Personal		Assessed
	Citizens' Property	Public Service (1)	Newport News Waterworks	Total	Estimated Actual Value	Actual Value			Assessed Value	Actual Value	as a Percent of Estimated Actual Value (2)
						Citizens' Property	Public Service	Total			
1995	\$ 4,386,254	\$ 174,736	\$ 39,623	\$ 4,600,613	\$ 4,689,718	\$ 497,088	\$ 16,404	\$ 513,492	\$ 5,114,105	\$ 5,203,210	98%
1996	4,528,482	172,288	39,625	4,740,395	4,851,990	558,152	14,438	572,590	5,312,985	5,424,580	98
1997	4,598,827	171,377	39,626	4,809,830	4,953,480	632,634	15,986	648,620	5,458,450	5,602,100	97
1998	4,749,616	168,661	43,563	4,961,840	5,057,941	625,768	15,944	641,712	5,603,552	5,699,653	98
1999	4,840,618	184,456	48,954	5,074,028	5,290,957	629,693	16,006	645,699	5,719,727	5,936,656	96
2000	4,984,196	180,111	49,852	5,214,159	5,471,310	721,815	16,969	738,784	5,952,943	6,210,094	96
2001	5,157,140	198,396	51,822	5,407,358	5,740,295	724,972	18,529	743,501	6,150,859	6,483,796	95
2002	5,361,262	195,595	53,494	5,610,351	6,144,963	757,002	20,346	777,348	6,387,699	6,922,311	92
2003	5,638,936	184,567	57,472	5,880,975	6,563,588	765,274	21,873	787,147	6,668,122	7,350,735	90
2004	6,081,667	190,105	58,621	6,330,393	7,360,922	757,745	22,134	779,879	7,110,272	8,140,801	87

Notes:

- (1) Public service assessed values are furnished by the State Corporation Commission of Virginia with no indication of assessment rate or actual value. The state mandated conversion of personal property to real estate for taxing purposes whereby personal property values are converted at 5% a year over a 20-year period.
- (2) The state requires all real estate to be assessed at 100% of its appraised value. There is no state statute or city charter limitation on the tax rate. The latest State Department of Taxation comparison of sales to appraisal indicates a true rate of 86.0%.

CITY OF HAMPTON, VIRGINIA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED REAL ESTATE VALUES
AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years Ended June 30, 2004

TABLE VIII

Fiscal Year Ended June 30	Population (1)	Assessed Value *	Net Bonded Debt (2) *	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1995	138,000	\$ 4,600,613	\$ 124,460	2.7	\$ 901.88
1996	136,900	4,740,395	131,530	2.8	960.77
1997	138,000	4,809,830	125,857	2.6	912.01
1998	138,000	4,961,840	119,880	2.4	868.70
1999	136,500	5,074,028	116,176	2.3	851.11
2000	136,200	5,214,159	155,329	3.0	1,140.45
2001	146,437	5,407,358	146,852	2.7	1,002.83
2002	147,300	5,610,351	163,057	2.9	1,106.97
2003	145,200	5,880,975	160,286	2.7	1,103.90
2004	144,400	6,330,393	149,409	2.4	1,034.69

Notes:

(1) Source: Weldon Cooper Center for Public Service.

(2) Does not include Refuse-Steam Plant general obligation debt or Educational Technology Bonds which are retired through revenues of the related operations.

* In Thousands

CITY OF HAMPTON, VIRGINIA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO GENERAL GOVERNMENT EXPENDITURES
Last Ten Fiscal Years Ended June 30, 2004
(In Thousands)

TABLE IX

Fiscal Year Ended June 30	(1), (3) Principal	(1) Interest	Total Debt Service	Total Expenditures	Debt Service as a Percent of Total General Government Expenditures
1995	\$ 5,570	\$ 3,377	\$ 8,947	\$ 231,307	3.87%
1996	5,218	7,069	12,287	262,746	4.68%
1997	6,016	7,646	13,662	258,462	5.29%
1998	6,449	7,316	13,765	270,938	5.08%
1999	7,224	6,574	13,798	326,367	4.23%
2000	7,676	6,262	13,938	311,579	4.47%
2001	8,948	8,608	17,556	324,598	5.41%
2002	8,949	7,757	16,706	340,786	4.90%
2003	10,082	8,458	18,540	347,721	5.33%
2004	10,302	7,343	17,645	397,470	4.44%

Notes:

- (1) Excludes general obligation series 2002 bonds for the Refuse-Steam Plant Fund, installment purchase contracts, HRHA debt, accrued sick and annual leave and general obligation bond anticipation notes.
- (2) This table includes expenditures (net of applicable interfund transfers) for the General Fund, the Special Revenue Funds, the Debt Service Funds and School Funds. Interfund transfers of \$70,543 between the General Fund, Special Revenue Funds and the Debt Service Funds are not included in expenditures.
- (3) Excludes \$12,024,375 in principal payments which were defeased during fiscal year 1996.

**CITY OF HAMPTON, VIRGINIA
REVENUE BOND COVERAGE
THE HAMPTONS
Last Ten Fiscal Years Ended June 30, 2004
(In Thousands)**

TABLE X

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1995	\$ 1,459,272	\$ 738,031	\$ 721,241	\$ 100,000	\$268,509	\$368,509	1.96
1996	1,239,964	733,871	506,093	105,000	261,819	366,819	1.38
1997	1,249,712	991,787	257,925	110,000	255,400	365,400	0.71
1998	1,213,681	976,665	237,016	120,000	247,255	367,255	0.65
1999	1,350,931	828,975	521,956	130,000	239,890	369,890	1.41
2000	1,327,095	843,848	483,247	140,000	134,572	274,572	1.76
2001	1,335,047	892,182	442,865	175,000	174,475	349,475	1.27
2002	1,564,209	946,828	617,381	185,000	163,625	348,625	1.77
2003	1,294,155	897,892	396,263	195,000	152,915	347,915	1.14
2004	1,291,201	994,971	296,230	200,000	141,300	341,300	0.87

Notes:

(1) Total revenues includes transfer in.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.

**CITY OF HAMPTON, VIRGINIA
REVENUE BOND COVERAGE**

TABLE XI

THE MUSEUM

Last Ten Fiscal Years Ended June 30, 2004

(In Thousands)

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements (3)</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1995	\$ 4,093,905	\$ 2,477,593	\$ 1,616,312	\$ 615,000	\$ 1,125,258	\$ 1,740,258	0.93
1996	5,041,167	2,983,959	2,057,208	645,000	1,090,660	1,735,660	1.19
1997	4,898,255	3,117,705	1,780,550	685,000	1,052,507	1,737,507	1.02
1998	5,679,859	3,507,943	2,171,916	725,000	1,010,920	1,735,920	1.25
1999	6,110,251	3,827,447	2,282,804	770,000	965,622	1,735,622	1.32
2000	5,374,436	4,152,478	1,221,958	825,000	916,927	1,741,927	0.70
2001	6,190,307	4,366,422	1,823,855	860,000	877,688	1,737,688	1.05
2002	7,108,207	4,269,874	2,838,333	905,000	838,987	1,743,987	1.63
2003	9,335,521	4,645,266	4,690,255	940,000	798,263	1,738,263	2.70
2004	10,923,802	5,136,391	5,787,411	990,000	798,263	1,788,263	3.24

Notes:

(1) Total revenues includes transfer in.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.

**CITY OF HAMPTON, VIRGINIA
REVENUE BOND COVERAGE
INDUSTRIAL DEVELOPMENT AUTHORITY
Last Ten Fiscal Years Ended June 30, 2004
(In Thousands)**

TABLE XII

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1997	\$ 993,160	\$ 730,878	\$ 262,282	\$ -	\$ 10,384	\$ 10,384	25.26
1998	1,675,736	1,685,685	(9,949)	6,488	115,932	122,420	(0.08)
1999	2,311,880	3,040,913	(729,033)	40,949	124,539	165,488	(4.41)
2000	4,081,389	7,840,832	(3,759,443)	43,670	121,818	165,488	(22.72)
2001	959,312	603,305	356,007	47,269	118,219	165,488	2.15
2002	9,441,520	3,633,214	5,808,306	34,899	458,358	493,257	11.78
2003	8,286,827	6,740,144	1,546,683	210,625	784,079	994,704	1.55
2004	5,098,475	1,588,271	3,510,204	385,027	770,519	1,155,546	3.04

Notes:

(1) Total revenues includes transfer in.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.

CITY OF HAMPTON, VIRGINIA
DETAILS OF PROPERTY TAX LEVIES
As of June 30, 2004
(In Thousands)

TABLE XIII

	<u>Rate Per \$100 Levied</u>	<u>Assessed Value</u>	<u>Total Tax Levy</u>
For the tax year 2004:			
Real estate:			
Citizens'	\$ 1.27	\$ 6,081,667	\$ 77,237
Public services	1.27	190,105	2,414
Newport News Waterworks	1.27	58,621	744
Personal property:			
Citizens'	Note (2)	693,422	29,417
Public services	Note (1)	22,134	941
Citizens' machines and tools	Note (3)	<u>64,323</u>	<u>1,930</u>
 Totals		 <u>\$ 7,110,272</u>	 <u>\$ 112,683</u>

Notes:

- (1) Under the Commonwealth of Virginia's controlled assessment program, personal property owned by public service corporations is treated as real property status for taxing purposes. Trucks and automobiles of such corporations are taxed at the same rate applicable to other trucks and automobiles in the City. Assessment value is provided by the state after fiscal year end with a retroactive payment adjustment being made in the first payment. Tax rates on these two classes of property are \$4.25 and \$1.27.
- (2) Personal property is assessed on a calendar-year basis. The taxes levied are due in two installments on June 5 and December 5. The tax rate in effect for taxes levied and due in the fiscal year ended June 30, 2004 was \$4.25 per \$100 levied for the December 5, 2003 and June 5, 2004 installments.
- (3) Machine and tools taxes are assessed, levied and due on the same basis as other personal property. The tax rate in effect for taxes levied and due in the fiscal year ended June 30, 2004 was \$3.00 per \$100 levied.

**CITY OF HAMPTON, VIRGINIA
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years Ended June 30, 2004**

TABLE XIV

Fiscal Year	Population (1)	Per Capita Income (2)	Median Age (in years)	Education Level in Years of Formal Education	School Membership (4)	Unemployment Rate Percentage (3)
1995	138,000	\$ 17,626	N/A	N/A	23,097	5.6%
1996	136,900	18,504	N/A	N/A	23,403	4.4
1997	137,600	19,153	N/A	N/A	23,450	5.8
1998	136,500	19,973	N/A	N/A	23,510	4.8
1999	136,500	N/A	N/A	N/A	23,431	4.3
2000	136,500	N/A	N/A	N/A	23,431	3.6
2001	146,437	N/A	N/A	N/A	23,290	3.6
2002	147,300	N/A	N/A	N/A	23,192	5.1
2003	145,200	N/A	N/A	N/A	22,996	5.4
2004	144,400	N/A	N/A	N/A	23,009	5.2

Notes:

(1) Source: Weldon Cooper Center for Public Service

(2) Source: Hampton Roads Data Book, June 1999, published by the Hampton Roads Planning District Commission.

(3) Source: Virginia Employment Commission, Hampton.

(4) Source: Virginia Department of Education

N/A = Not available

CITY OF HAMPTON, VIRGINIA
PROPERTY VALUE, CONSTRUCTION, BANK DEPOSITS AND RETAIL SALES
Last Ten Fiscal Years Ended June 30, 2004
(Dollars in Millions)

TABLE XV

<u>Years (1)</u>	<u>Building Permits</u>		<u>Bank</u>	<u>Retail</u>	<u>Real Property Value (3)</u>	
	<u>Issued</u>	<u>Value (1)</u>	<u>Deposits</u> <u>(1) (2)</u>		<u>Taxable</u>	<u>Nontaxable</u>
1995	3,776	\$ 83.0	\$ 724.0	\$ 997.7	\$ 4,600.6	\$ 1,884.6
1996	4,265	88.0	727.2	1,007.9	4,740.3	1,909.0
1997	3,748	75.4	515.1	1,095.2	4,809.9	1,945.1
1998	3,917	76.5	622.9	1,127.9	4,961.8	1,946.5
1999	3,485	84.1	647.8	1,107.4	5,074.0	2,001.2
2000	3,157	104.3	707.7	1,072.1	5,214.2	2,070.0
2001	3,200	53.5	685.2	1,062.5	5,407.3	2,068.3
2002	3,104	61.9	706.0	1,072.4	5,610.3	2,228.0
2003	3,611	116.4	749.1	1,106.0	5,881.0	2,334.3
2004	2,362 (4)	64.3 (4)	N/A	566.6 (4)	6,330.4	2,379.3

Notes:

(1) Permits, commercial bank deposits and retail sales on a calendar year basis and property on a fiscal year basis.

(2) Source: Tidewater Virginia Statistical Digest
(a) Bank deposits - Federal Reserve Bank - FDIC
(b) Retail sales - Virginia Department of Taxation

(3) Estimated actual value

(4) Six months from January - June

N/A = Not available

**CITY OF HAMPTON, VIRGINIA
GENERAL STATISTICAL DATA
June 30, 2004 (or as indicated)**

TABLE XVI

Historical:

Established as a town
Incorporated
Present charter adopted
Boundary extension (Annexation of Elizabeth City County and Phoebus)

1887
March 30, 1908
December 16, 1952
July 1, 1952

General:

Form of government - Council/City Manager
Council Members - seven elected at large for four-year terms. Elections held every two years.
Mayor directly elected by voters.
Area of City (square miles) - Land 54.7; Water 17.3; Total 72.0
Miles of Roadway - Arterial and Collector Streets 426; Interstate and Approach Roads 14-1/2

Services:

Recreation:

Air Power Park	1
Amphitheaters	1
Baseball fields	38
Softball fields	15
Basketball courts	35
Blue Bird Gap Farm	1
Boat ramps	3
Coliseum	1
Football fields	20
Soccer fields	28
Fort Wool	1
Golf course	2
Arts Commission	1
Municipal beaches	3
Neighborhood parks	10
Outreach centers	4
Picnic shelters	28
Playgrounds	41
Community centers	4
Senior Citizens Center	1
Football stadium	1
Tennis courts	66
Indoor swimming pool	1
Carousel	1
Sandy Bottom Nature Park	1
Hampton History Museum	1

Source: Parks and Recreation

Parks:

	Acres	Number
Currently developed	1,628	37
Undeveloped or underdeveloped	37	7
Pedestrian malls	1	1
School areas	675	33
Total	2,341	78

Source: Parks and Recreation

Education:

	2004
High schools	4
Middle schools	6
Elementary schools	24
School board personnel (1)	2,841
Student membership (total)	22,695
High schools	6,671
Middle schools	5,605
Elementary schools	10,419
(1) Authorized positions	2,841

Source: School System - Publications and Information

Fire Protection:

Stations	10
Employees	261
Uniformed employees	249
Advanced Life Support Technicians	142
Civilians	12
Volunteers "certified" in Firefighting	81
Volunteers "certified" as Emergency Medical Technicians	149
Volunteers "certified" as Firefighting and EMS	117

Source: Fire Division - Personnel

Size of Authorized City Staff:

Authorized permanent, full-time salaried positions, all departments, general and nonappropriated funds, excluding the four (4) employees of the Virginia Extension Service assigned to Hampton.

2004 1,776

Source: FY2004 Budget Document

Police Protection:

Number of employees (total)	395
Police	270
Civilians	96
School crossing guards	29
Patrol vehicles	227
Explorer post members	11
Patrol boats	3
Police Auxiliary Officers (Volunteers)	5

Source: Police Division: Administrative Services

Ten Largest Property Taxpayers:

Taxpayer:	Assessed Value	Taxes	Percent
Hampton Mall Association - shopping mall retail	\$ 63,690,202	\$ 808,866	25.3%
Liberty Property Limited Partnership	26,811,003	340,500	10.6
Hampton Investors I LLC et al	22,811,101	289,701	9.0
Hampton Training School NU	22,700,302	288,294	9.0
Coliseum Crossing	20,681,200	262,651	8.2
Gateway 2000	20,500,000	260,350	8.1
HNN Associates	20,079,702	255,012	8.0
Howmet Corporation	18,569,200	235,829	7.4
Riverdale Plaza Shopping Center	18,533,205	235,372	7.3
Megaplex Nine, Inc.	17,830,101	226,442	7.1
		<u>\$ 3,203,017</u>	<u>100.0%</u>

Source: Assessor's Office

(Continued)

**CITY OF HAMPTON, VIRGINIA
GENERAL STATISTICAL DATA, Concluded
June 30, 2004 (or as indicated)**

TABLE XVI

Employment:

Principal Public and Private Employers:

500+ employees:

Association for Retarded Citizens, Inc.	Sentara Hampton General Hospital
Hampton University	Spiegel Group Teleservice, Inc.
Howmet Corporation	Teletech Customer Care
Information Technology Solution	Walmart Associates, Inc.
Lockheed Technical Operations, Inc.	West Telemarketing Corporation
Science Applicats Int'l Corp.	

250-499 employees:

Anthem Alliance
Cogar Automotive
Cubic Applications, Inc.
Farm Fresh LLC
Food Lion
Graham & rollins
Headway Corp Staffing of NC, Inc.
Humana Military 2 5 Inc.

Maida Development
McDonald's
Newport News, Inc.
Nextel
Peninsula Behavioral Center
Raytheon Company
7 Eleven Stores

Source: Development Department

Leading Government Employers:

1. Langley Air Force Base	11,814
2. Fort Monroe	3,311
3. Hampton City Schools	3,029
4. City of Hampton	2,650
5. NASA - Langley	2,304
6. V.A. Hospital	1,200

Source: Personnel Office of each government employer

Elections During Fiscal Year 2001-2002:

Election	Date	Registered Voters	Number of Votes Cast	Percentage Voting
General Election	11/4/03	74,823	17,063	23%
General Election	5/4/04	76,132	14,195	19%
Primary	2/3/04	75,271	8,959	12%

Source: Voting Registrar

FINANCIAL COMPLIANCE REPORTS FOR FEDERAL FUNDS





**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Council
City of Hampton, Virginia

Compliance

We have audited the compliance of the City of Hampton, Virginia, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The City of Hampton, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Hampton, Virginia's management. Our responsibility is to express an opinion on the City of Hampton, Virginia's compliance based on our audit.

The City of Hampton, Virginia's basic financial statements include the operations of the Hampton Redevelopment and Housing Authority, which expended \$19,148,724 in federal awards which is not included in the Schedule of Expenditure of Federal Awards for the year ended June 30, 2004. Our audit, described below, did not include the operations of Hampton Redevelopment and Housing Authority because Hampton Redevelopment and Housing Authority engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hampton, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Hampton, Virginia's compliance with those requirements.

In our opinion, the City of Hampton, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the City of Hampton, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Hampton, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

W. Mares Eggleston Smith, P.L.C.

Newport News, Virginia
November 30, 2004



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Hampton, Virginia

We have audited the financial statements of City of Hampton, Virginia, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. We did not audit the financial statements of the Hampton Redevelopment and Housing Authority's funds, which statements reflect total assets of \$43,777,777 as of December 31, 2003, and total revenues of \$23,526,901 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hampton Redevelopment and Housing Authority in the proprietary funds, is based on the report of other auditors.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hampton, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. We did not perform tests of Hampton Redevelopment and Housing Authority's compliance with laws, regulations, contracts, and grant agreements. Those tests were performed by the other auditors, whose report on compliance with laws and regulations in accordance with *Government Auditing Standards* was furnished to us. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hampton, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Will Mares Eggleston Smith, P.C.

Newport News, Virginia
November 30, 2004



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH COMMONWEALTH OF VIRGINIA
LAWS, REGULATIONS, CONTRACTS, AND GRANTS**

To the City Council
City of Hampton, Virginia

We have audited the financial statements of the City of Hampton, Virginia, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 30, 2004. We did not audit the financial statements of the Hampton Redevelopment and Housing Authority, which statements reflect total assets of \$43,777,777 as of December 31, 2003, and total revenues of \$23,526,901 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia laws, regulations, contracts, and grants applicable to the City of Hampton, Virginia, is the responsibility of the City of Hampton, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Hampton, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The following is a summary of the Commonwealth of Virginia laws, regulations, contracts and grants for which we performed tests of compliance:

Code of Virginia:

- Budget and Appropriation Laws
- Conflicts of Interest Act
- Debt Provisions
- Uniform Disposition of Unclaimed Property Act
- Cash and Investment Laws
- Local Retirement Systems
- Procurement Laws
- Personal Property Tax Relief Act

State Agency Requirements:

- Social Services
- Comprehensive Services Act for At-risk Youth and Families
- Economic Development Opportunity Fund
- Highway Maintenance Funds
- Education
- Sheriff's Inmate and Canteen Fund

With respect to the items tested, the results of our procedures disclosed: all Child Welfare Trust accounts are not under the Treasurer's control and the Treasurer has not established separate accounts for SSI dedicated funds. The Child Welfare Trust accounts are under the control of the Department of Social Services and SSI dedicated funds are commingled with the individual's regular savings account. Although the funds are held in interest bearing accounts, only the Department of Social Services controls access to the accounts. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Hampton, Virginia, had not complied, in all material respects, with those provisions.

This report is intended for the information of City Council, management and applicable federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Will Marcus Eggleston Smith, P.C.

Newport News, Virginia
November 30, 2004

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2004

Section I-Summary of Auditors Results

Financial Statements

Type of auditor's report issued:

UNQUALIFIED, qualified, adverse, or disclaimer

Internal control over financial reporting:

- Material weakness(es) identified?
- Reportable condition(s) identified that are not considered to be material weaknesses?

_____ Yes X No

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Reportable condition(s) identified that are not considered to be material weakness(es)?

_____ Yes X No

_____ Yes X No

Type of auditor's report issued on compliance for major programs:

UNQUALIFIED; qualified, adverse, or disclaimer

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.553, 10.555, 10.556 & 10.559	U.S. Department of Health and Human Services
93.659	Adoption Assistance
14.218 & 14.219	CDBG – Entitlement and Small Cities Cluster
94.011	Foster Grandparent and Senior Companion Cluster
83.520	Hurricane Relief
84.048	Vocational Education

Dollar threshold used to distinguish between type A and type B programs:

\$1,870,563

Auditee qualified as low-risk auditee?

 X Yes

 No

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None